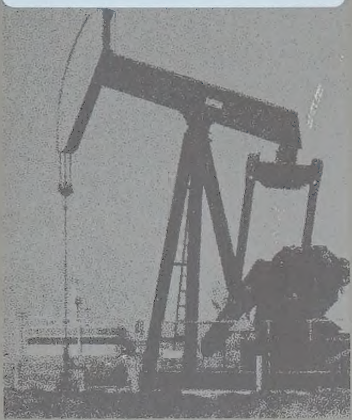
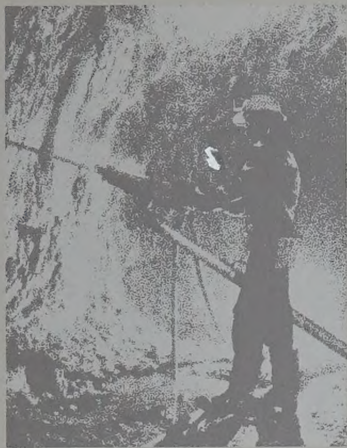
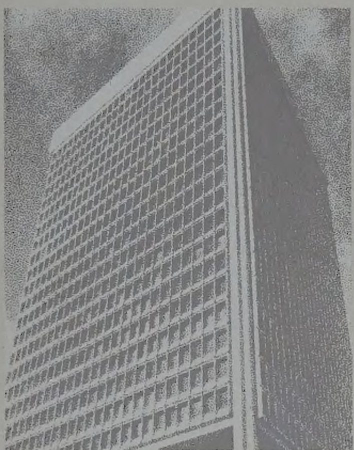
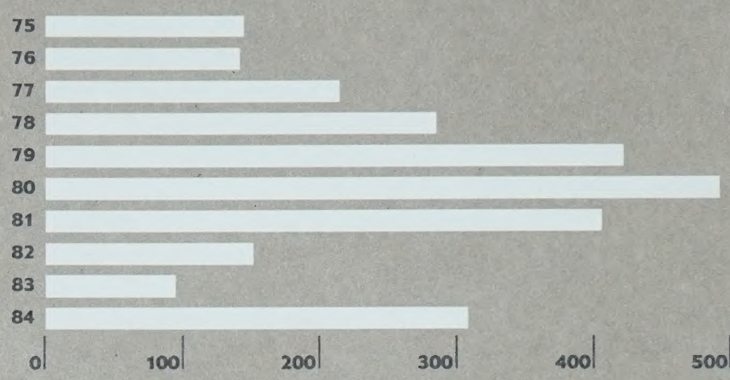




Canadian Pacific **Enterprises** Limited

Annual Report 1984

Consolidated Net Income
(in millions of dollars)



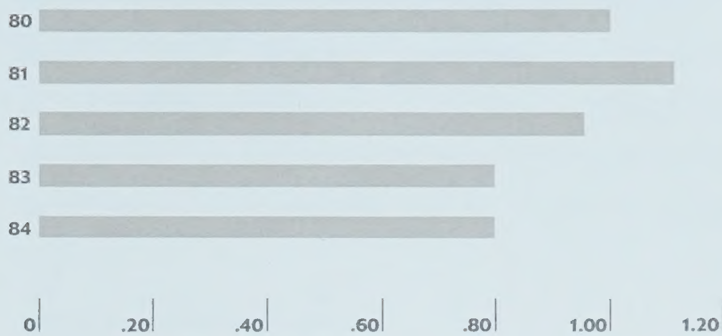
Summarized Statement of Net Income

(in millions)	1984	1983	Increase or (Decrease)
Oil and Gas	**$261.3**	$209.9	$ 51.4
Mines and Minerals	**16.5**	(25.5)	42.0
Forest Products	**(9.8)**	(98.8)	89.0
Iron and Steel	**(39.0)**	(93.4)	54.4
Real Estate	**27.3**	25.9	1.4
Agriproducts	**30.8**	20.6	10.2
Other Businesses	**9.2**	15.3	(6.1)
Financial	**10.8**	8.9	1.9
Income before extraordinary item	**307.1**	62.9	244.2
Extraordinary item	**—**	31.4	(31.4)
Net Income	**$307.1**	$ 94.3	$212.8
Per common share:			
Income before extraordinary item	**$ 1.96**	$ 0.41	$ 1.55
Net income	**1.96**	0.61	1.35
Dividends	**0.80**	0.80	—

The Annual Meeting of Shareholders will be held in the Palliser Hotel, Calgary, Alberta, on Friday, April 26, 1985 at 11:00 a.m. (Calgary time)

To the Shareholders

Dividends per Common Share
(in dollars)



The North American economy experienced improved economic growth in 1984 resulting in better market conditions in many of the areas served by Enterprises' subsidiaries. This, coupled with effective cost control, higher productivity levels, and the benefits of certain tax related transactions, produced a marked increase in Enterprises' earnings.

Enterprises' consolidated net income for 1984 amounted to $307.1 million, compared with $62.9 million in 1983 before an extraordinary item. Earnings per common share were $1.96 in 1984, after providing for dividends on preferred shares, and 41¢ per share in 1983, before the extraordinary item.

In 1983, Enterprises recorded extraordinary income of $31.4 million, or 20¢ per common share, on the sale of Canadian Pacific Hotels Limited.

Net income of Enterprises on an unconsolidated basis, comprising mainly dividends from subsidiaries, amounted to $172.5 million, or $1.09 per common share after preferred share dividends. This compared with $183.4 million, or $1.19 per share, in 1983, before including the extraordinary gain. From these earnings, dividends of 80¢ per common share were declared in both years.

Sector Results

All of the major sectors of Enterprises contributed to the improvement in consolidated earnings.

The Oil and Gas sector showed a substantial increase in earnings, mainly reflecting higher production of conventional crude oil and natural gas, and better prices for conventional crude oil.

The Mines and Minerals sector experienced a turnaround which fell short of a full recovery. Cominco reported a profit in 1984, compared with a loss in 1983. Results in 1984 reflected higher average selling prices for zinc, lead, and chemicals and fertilizers together with improved sales volumes of zinc, gold, copper, and chemicals and fertilizers. These factors were offset in part by lower margins for precious metals. Fording's earnings were also up owing to substantially higher sales volumes and lower operating costs, offset in part by decreased selling prices.

The Forest Products sector, though incurring a small loss in 1984, showed the best improvement. This was largely attributable to CIP Inc. which experienced a significant strengthening in operating results because of improved volumes and better prices, particularly for newsprint. Tax related benefits arising from reorganizations also contributed to the improvement for CIP in the fourth quarter. However, CIP continues to incur substantial interest expense associated with a high level of debt. Great Lakes Forest Products posted earnings in 1984 in contrast to a loss in the previous year due to higher shipments and better prices.

To the Shareholders

In the Iron and Steel sector, there was a significant reduction in the loss incurred by Algoma Steel compared with the previous year. This improvement resulted principally from increased finished steel shipment volumes, improved product mix and an aggressive cost reduction program. AMCA International reported a substantially reduced loss in 1984 due to some improvement in results from continuing operations, a refund of a surplus in its Canadian pension fund, and much lower losses from the write-off of discontinued operations.

Results of the Real Estate, Agriproducts and Financial sectors showed improvement. In addition to better operating performance, results of the Agriproducts sector benefited from the elimination of a deferred tax balance in a U.S. subsidiary owing to a change in the U.S. tax law. In the Financial sector, corporate activities recorded a small gain on the dissolution of two offshore subsidiary companies. The only sector to experience a decrease in income was Other Businesses where results reflected the sale of CP Hotels late in 1983.

Effective January 1, 1984, Enterprises and its subsidiaries adopted prospectively the new CICA recommendations on foreign currency translation. This change in accounting policy had the effect of reducing consolidated net income for the year by approximately $16 million.

Activities in 1984

The programs introduced in the difficult years of 1982 and 1983 to conserve cash, reduce costs and improve operating efficiency were continued in 1984.

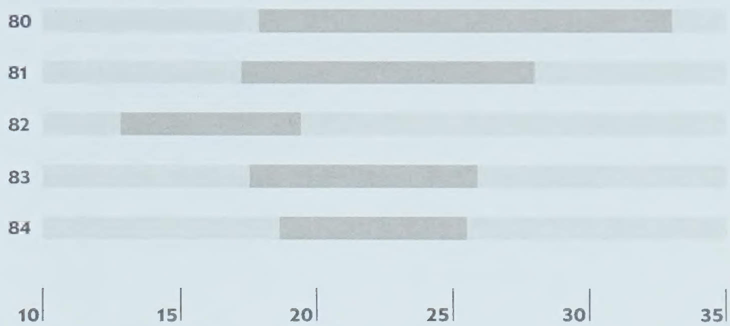
PanCanadian pursued its successful exploration and development strategy, concentrating primarily on the search for crude oil in western Canada. Early in 1985, PanCanadian's wholly-owned subsidiary, PanCanadian Petroleum Company, located in Denver, Colorado, purchased certain oil and gas interests in the United States for U.S. $45 million.

In 1984, Cominco improved its productivity and further reduced its work force. Operations at certain mines were suspended periodically to prevent inventory buildup. In order to conserve cash, major capital projects were delayed where not essential. Other measures taken to improve its cash position included divestiture of assets, notably the disposal of the company's interests in Tara Exploration and Development Company Limited and in a tertiary oil recovery project. In 1985, the sale of a part interest in Pine Point Mines Limited reduced Cominco's interest to 51% from 69%.

During 1984, productivity improvements at Fording Coal resulted in a significant reduction in the cost of clean coal produced. Fording has begun recovering coal from Brownie Ridge and anticipates that predevelopment work at Eagle Mountain will be completed in 1985.

Late in 1984, CIP exercised its option to purchase the 50% interest in Tahsis Company Ltd. not already owned. Pacific Forest Products Limited and Tahsis were then amalgamated to form CIP Forest Products Inc. effective January 1, 1985. This consolidation of Enterprises' operations in the British Columbia forest products industry should improve profitability. In addition, the financial position of NBIP Limited, a 67% owned subsidiary of CIP, was strengthened through the sale of tax losses and investment tax credits to PanCanadian Petroleum. In February 1985, CIP sold its wholly-owned subsidiary, CIP Daxion Inc., a distributor of paper and packaging products.

Market Price Range per Common Share
(in dollars)



Montreal and Toronto Stock Exchanges

Great Lakes' Dryden modernization program was completed in early 1984 with the commencement of operations of the fine paper machine. The kraft pulp mill and stud lumber facility were completed in 1983. These modernized facilities have provided increased capacity and reduced manpower requirements. As part of its continuing efforts to identify opportunities for earnings growth, Great Lakes announced its intention to participate with certain newspaper publishers in a joint venture to construct and operate a newsprint mill in the northwestern United States.

In 1984, Algoma encountered generally weak demand for its steel products and severe competition in its steel markets, principally from imports. Algoma intensified its strict cost control measures, a key component in its design to restore profitability. As a result, productivity during the year was significantly improved. Further progress is anticipated.

In 1985, Algoma will resume building its seamless tube mill, through a partnership arrangement with Canadian Pacific Limited.

In 1983 and 1984, AMCA International discontinued activities which were not consistent with its long range objectives. The discontinued operations included certain oil field equipment and crane businesses. The losses on disposition of these businesses were provided for in 1983. In 1984, AMCA provided for losses related to the discontinuance of its consumer products business.

Marathon Realty took steps during the year to ensure continuing growth in earnings. Chief among these were efforts to identify methods to reduce operating costs and to develop an asset rationalization program. This led to the disposal of certain properties with limited growth potential and the investment of funds in new developments and acquisitions.

Maple Leaf's main thrust over the year continued to be the modernization of facilities and the introduction of cost reduction programs. In 1984, the company's fully automated bakery mix plant in Calgary was officially opened.

Early in 1985, Enterprises sold its wholly-owned subsidiary, Baker Commodities, Inc., for U.S. $23.7 million. This company is in the rendering business.

Officers and Employees

The many achievements of the year would not have been possible without the skills and perseverance of the officers and employees. The Directors appreciate the dedicated efforts of all those employed by Enterprises and its subsidiaries.

For the Directors,

President

Chairman and
Chief Executive Officer

Calgary, March 1, 1985

Financial Review

Highlights of the Period 1982-1984

Consolidated assets were $12.4 billion at December 31, 1984, up from $11.2 billion at the end of 1981. Net investment in properties increased by $1.2 billion over the three years. Working capital decreased by $111 million in the same period.

During the three year period, long term debt increased by $575 million. Minority shareholders' interest in subsidiary companies increased $222 million and shareholders' equity was up $518 million. The number of common shares issued rose from 141 million to 155 million. Book value per common share was $20.57 at December 31, 1984 compared with $19.53 at the end of 1981. Debt:equity proportions were 45:55 at December 31, 1981 and 44:56 at December 31, 1984. Interest coverage on long term debt increased from 1.8 times in 1982 to 2.6 times in 1984.

Review of 1984

In 1984 funds from operations rose to $914 million. Long term debt issued during the year amounted to $288 million and the proceeds of shares issued by Enterprises and subsidiaries amounted to $229 million. Working capital was up by $70 million. Additions to properties totalled $716 million and repayment of long term debt amounted to $500 million.

In May, Enterprises issued $100 million of cumulative redeemable convertible preferred shares by way of private placement.

In December, Canadian Pacific Enterprises (International) B.V. and Canadian Pacific Enterprises (Finance) N.V., subsidiaries located in the Netherlands and the Netherlands Antilles respectively, were dissolved. This entailed the retirement of loans between the Enterprises (U.S.) group of companies and Enterprises (Finance). Subsequently these funds, together with a substantial portion of the sale proceeds of Baker Commodities, were repatriated to the Corporation. Enterprises (U.S.) replaced the debt obligation with direct borrowings in the United States.

Most of the funds repatriated as well as the proceeds of Enterprises' preferred share issue were loaned to CIP Inc. as a $175 million non-interest bearing loan.

In 1984, PanCanadian spent $334 million on exploration and development. These expenditures were reduced by estimated Petroleum Incentive Program grants of $50 million. Although these capital expenditures increased by 25% over the prior year, funds from operations were more than sufficient to cover these outlays.

Cominco's funding requirements were largely met by operating cash flow and proceeds from the disposal of assets. Long term debt repayments were $52 million and capital expenditures totalled $123 million. Included in capital expenditures were the Trail modernization, the Red Dog development, facility upgrading at West Kootenay Power and Light, and replacement of equipment at Pine Point.

Late in the year, Cominco sold 1.25 million common shares for proceeds of $20 million representing a 33% premium over market value. The premium reflected payment by the purchaser for certain tax credits associated with the shares. Early in 1985, a similar transaction was arranged to raise approximately $15 million for Canadian exploration. The common shares will be issued during 1985 as the expenditures are incurred. Enterprises did not participate in these issues.

Total Assets
(in billions of dollars)

In January 1985, Cominco sold shares of Pine Point Mines Limited for $21 million, thereby reducing its interest from 69% to 51%.

During the year, CIP reduced its consolidated long term debt by $306 million largely with proceeds of $175 million received from Enterprises in the form of a non-interest bearing demand loan and with the proceeds of $92 million received by NBIP Limited on the sale to PanCanadian of investment tax credits and income tax losses. The sale was accomplished by means of a corporate restructuring. The consolidation of Tahsis in 1984 for the first time resulted in additional long term debt of $51 million being recorded on the balance sheet.

Algoma has announced the resumption of construction of its seamless tube mill, which had been suspended in October 1982 because of poor market conditions. In February 1985, Algoma and Canadian Pacific Limited entered into a limited partnership arrangement in which Algoma is the general partner and CP Limited the sole limited partner. The partnership will complete construction of the new seamless tube mill. The funds to complete this mill, estimated at $150 million, will be supplied principally by CP Limited in exchange for tax benefits that will accrue to that company. Algoma, as the general partner, will manage the partnership. The new tube mill is scheduled for start up in the first quarter of 1987.

During the year, AMCA increased its borrowings by $119 million, largely through the issuance of debentures in the amount of U.S. $50 million and a drawdown on its bank lines of credit. AMCA reduced its long term debt by $68 million. Capital expenditures for the year amounted to $36 million. In November, AMCA issued to the public $100 million of cumulative redeemable convertible preferred shares. Enterprises purchased concurrently, at the public offering price, a sufficient number of such shares to maintain its and Algoma's combined interest at approximately 50.7% on the assumption of eventual full conversion of the preferred shares. Proceeds were used to retire short term debt.

At Marathon Realty, funds from operations together with proceeds on disposal of certain properties were largely used for capital expenditures which amounted to $106 million. The increase in properties largely reflects completed construction programs as well as the acquisition of a shopping mall.

Commitments

Commitments of subsidiaries at the end of 1984 for capital expenditures were $199 million, compared with those at the end of 1983 and 1982 of $260 million and $364 million, respectively. Outstanding commitments for capital expenditures include those of Cominco for $59 million, Algoma for $77 million, and Marathon for $34 million. It is anticipated that commitments will be met from the internally generated funds or lines of credit available to the subsidiaries.

At the end of 1984, total unused funds available from long term financing amounted to $1.4 billion, at interest rates varying with bank prime or money market rates. Commitment fees on $1.2 billion of that amount range from ⅛% to ¼%. Unused lines of credit for short term financing, subject to customary right of review at any time, amounted to $1.0 billion. Such borrowings are repayable on demand and at various maturities up to 365 days and interest rates vary with bank prime or money market rates.

This drill rig at Highvale, Alberta resulted in one of 480 successful oil and gas wells drilled in 1984.

Oil and Gas

PanCanadian Petroleum Limited is one of the largest Canadian-owned hydrocarbon companies. It is engaged in the exploration, production, and wholesale marketing of crude oil, natural gas, natural gas liquids and sulphur primarily in western Canada, but also in Canadian frontier regions and areas outside Canada.

PanCanadian Petroleum Limited

Net income from Enterprises' 87.1% interest in PanCanadian amounted to $261.3 million in 1984, compared with $209.9 million in 1983 and $200.9 million in 1982.

Total revenues of PanCanadian were $1,055 million in 1984, $884 million in 1983 and $793 million in 1982. In 1984, revenues increased $171 million over 1983 due primarily to greater production of most products together with higher selling prices for conventional crude oil. Natural gas selling prices also improved in 1984. In 1983, revenues were up $91 million over 1982 mainly reflecting better selling prices and increased production of conventional crude oil.

PanCanadian's expenses of $755 million in 1984 were up from $643 million in 1983 and $562 million in 1982. Expenses increased $112 million in 1984, largely because of a greater number of producing properties, increases in both service costs of producing conventional oil and costs related to the Empress plant products, and higher depletion and depreciation charges. Expenses in 1983 were $81 million more than in 1982 due largely to higher operating costs and increased depletion and depreciation expenses.

During 1984, the Federal Government changed its natural gas pricing policy in an effort to encourage natural gas exports to the United States. This policy allows exporters to negotiate price directly with their customers, subject to a minimum level based on the price of gas sold at Toronto. Also during the year, the Federal Government's timely approval of export licences and of competitive pricing for sales to the U.S. market of crude oil in excess of domestic needs stimulated marketing efforts on the part of oil producers. PanCanadian views both these policy changes as positive for the industry and the company.

Mines and Minerals

Cominco is an integrated natural resource company with world-wide operations and markets. Its principal activities include mineral exploration, mining, smelting and refining. The company is one of the world's largest mine producers of zinc and lead and is one of western Canada's largest chemical and fertilizer producers. Cominco also produces copper, silver and gold.

Fording Coal is engaged in the mining, development and processing of metallurgical and thermal coal in Alberta and southeastern British Columbia. The company's metallurgical coal is sold principally to steel producing firms located in Pacific Rim countries under long term contracts.

Steep Rock Resources produces a wide range of industrial calcium carbonate products.

Cominco Ltd.

Net income from Cominco, owned 53.2% by Enterprises, was $5.6 million in 1984. This was a significant improvement over losses of $30.0 million in 1983 and $23.5 million in 1982. Cominco's results for the year reflected stronger prices and increased volumes for most products. However, fourth quarter results were down, mainly because of lower prices for zinc, lead, silver and gold.

Cominco's revenues amounted to $1,624 million in 1984, compared with $1,388 million in 1983 and $1,277 million in 1982. These revenues include earnings from Cominco's 40% interest in Fording Coal. A net gain of $5 million arising largely from the sale of an interest in an oil recovery project is included in 1984 revenues. The increase of $236 million in Cominco's 1984 revenues stemmed from higher selling prices for refined zinc, zinc concentrates and refined lead, together with increased sales volumes of all refined metals and metal concentrates, except lead. In addition, revenues from chemical and fertilizer products increased, due largely to better prices and higher sales volumes in the first nine months of 1984. Partially offsetting factors were lower selling prices for silver, gold, and copper concentrate. Total revenues of Cominco in 1983 were up $111 million over 1982. Included in 1982 revenues was a net gain of $18 million from the sale of oil and gas properties. The higher operating revenues mainly reflected increased sales volumes of all products, except gold, and improved prices for silver, zinc, gold and copper.

Expenses were $1,595 million in 1984, compared with $1,431 million in 1983 and $1,311 million in 1982. In 1984, expenses were up $164 million mainly reflecting the higher volumes of products sold. Depreciation and depletion expenses increased principally because of the full year's impact of projects completed during 1983, which include the electrolytic and melting plant at Trail. In addition, higher rates accounted for an increase in interest expense. The increase in expenses of $120 million in 1983 from 1982 was due mainly to higher sales and production volumes.

An after-tax gain of approximately $9 million on the partial sale of Cominco's interest in Pine Point Mines will be reported in the first quarter of 1985.

Cominco's Polaris Mine, on Little Cornwallis Island in the NWT, began operation in early 1982 producing zinc and lead concentrate.

Fording Coal Limited

Net income of Fording Coal, owned 60% by Enterprises and 40% by Cominco, amounted to $15.3 million in 1984, including a net gain of $2.2 million on the sale of coal leases and certain equipment. This compares with earnings of $4.4 million in 1983 and $12.1 million in 1982. In addition to its direct share of these results and its equity in Cominco's share, Enterprises received royalty payments from Fording of $2.7 million in 1984, $1.9 million in 1983 and $3.0 million in 1982.

Revenues amounted to $280 million in 1984, compared with $217 million in 1983 and $269 million in 1982. Despite a decrease in the selling price of coal, revenues in 1984 were up $63 million over 1983 due to a significantly higher sales volume, reflecting a recovery of volume lost during the mineworkers' strike in 1983 and market diversification. In addition to lower volumes, reduced coal selling prices were also a major reason for the decrease of $52 million in 1983 revenues from 1982.

In 1984, total expenses were $264 million, compared with $213 million in 1983 and $257 million in 1982. The increase in expenses of $51 million over 1983 was largely due to a higher sales volume, offset in part by improved productivity and lower interest expense. Expenses in 1983 were down $44 million from 1982 principally because of the lower sales volume and increased operating efficiency.

Steep Rock Resources Inc.

Enterprises has a 79.6% holding in Steep Rock which in 1984 produced net earnings of $306,000, down from $846,000 in 1983 and $1.4 million in 1982. Steep Rock's results in 1984 included a gain of $384,000 relating to the re-evaluation of prior years' income tax provisions and in 1982 a non-recurring charge of $2.0 million pertaining to obligations under a long term natural gas contract and the write-off of certain development expenditures.

In 1982 and 1983, Steep Rock's earnings were derived mainly from the investment of funds surplus to the company's needs. During 1983, these funds were reduced significantly through the payment of dividends. Consequently, in 1984 the major contributor to earnings was the calcite division, where operating earnings were more than double those in 1983. However, this improvement was substantially offset by higher corporate and other costs.

Forest Products

CIP Inc. is a major integrated forest products company engaged in the production and marketing of a variety of pulp and paper products, including newsprint, paperboard, pulp, packaging and specialty paper products. Its operations are located primarily in eastern Canada, although it has facilities in most provinces. Its products are marketed both domestically and internationally.

Great Lakes Forest Products is also a major integrated forest products producer which markets bleached kraft pulp, newsprint, fine papers and building products. Great Lakes' plants are located in northwestern Ontario and its sales are principally to the United States.

Pacific Forest Products is engaged in developing timber resources and manufacturing lumber in British Columbia. Effective January 1, 1985, Pacific Forest Products was amalgamated with Tahsis Company Limited, a wholly-owned subsidiary of CIP, to form CIP Forest Products Inc.

CIP Inc.

The net loss from CIP was $11.7 million in 1984, down significantly from losses of $83.6 million in 1983 and $101.8 million in 1982. The 1984 results reflected a marked improvement in operating results over the previous year.

In addition, certain tax related transactions had a favourable impact on CIP's fourth quarter results. NBIP sold investment tax credits and tax losses to PanCanadian. The impact on Enterprises' consolidated net income in 1984 was a gain of $12.8 million arising from the sale of investment tax credits, $11.0 million of which was reflected in CIP's results and the balance by PanCanadian in the Oil and Gas sector. An additional gain of $15.5 million will be recorded by the two companies in respect of the tax losses during 1985, as they are realized. In addition, the sale of tax losses enabled NBIP to tax affect its 1984 loss which increased CIP's earnings by $7.5 million. Earnings also benefited in 1984 by $7.5 million because of the tax affecting of Tahsis Company's loss. These gains were partially offset by a charge of $2.5 million incurred on the closure of a hardboard plant.

Total revenues amounted to $1,476 million in 1984, up from $1,207 million in 1983 and $1,107 million in 1982. In 1984, revenues of CIP increased $269 million due in equal measure to higher sales volumes and better selling prices for most products. The largest increase in revenues came from newsprint operations, reflecting a 23% increase in shipments and an average 8% increase in price compared with 1983. CIP's revenues in 1983 were up $100 million from 1982 due chiefly to higher sales volumes for all products, particularly packaging. In 1982, packaging volumes were affected by strikes at CIP's container plants.

At Great Lakes Forest Products' pulp mill in Thunder Bay, the pulp sheet makes 19 airborne passes in temperatures of up to 400°F in this dryer.

CIP's expenses totalled $1,488 million in 1984 compared with $1,302 million in 1983 and $1,213 million in 1982. Expenses in 1984 were up $186 million due principally to increased sales volume and escalation of costs. Expenses in 1983 increased by $89 million over 1982, consistent with a higher sales volume and general cost inflation. Over the period, a high level of debt associated with the acquisition of the company resulted in significant interest charges.

Great Lakes Forest Products Limited

Net income from Great Lakes, owned 54.3% by Enterprises, amounted to $9.7 million in 1984, compared with a loss of $5.4 million in 1983 and net earnings of $11.6 million in 1982.

Total revenues reported by Great Lakes were $603 million in 1984, up from $496 million in 1983 and $442 million in 1982. The increase of $107 million in 1984 revenues was due to higher selling prices for newsprint, kraft pulp and fine papers and increased shipments of all products. The higher shipment levels were met through improved operating performance in newsprint and kraft pulp operations and increased fine paper and stud lumber production capabilities from new facilities at Dryden. Demand for kraft pulp and fine paper softened somewhat late in the year, resulting in some price erosion. Revenues in 1983 increased $54 million from 1982 due principally to higher shipments of all products.

Total expenses of $585 million in 1984 compared with $506 million in 1983 and $421 million in 1982. The increase in expenses of $79 million was the result of the higher level of shipments together with inflationary increases in manufacturing costs. The start-up of the new Dryden fine paper machine in April 1984 resulted in higher interest and depreciation charges. In 1983, expenses increased $85 million largely because of higher shipments and increased costs.

Pacific Forest Products Limited

Pacific Forest Products reported losses of $7.9 million in 1984, $9.8 million in 1983 and $7.1 million in 1982. Pacific Forest Products fully tax affected its 1984 results which reduced the company's loss by $6.3 million. Results in 1982 included a net gain of $9.2 million on the sale of land.

Pacific Forest Products' sales volumes and prices for both logs and lumber have been depressed since the beginning of the recent economic recession. In 1983, the company's results reflected some improvement in market conditions relative to 1982. However, persistent over-supply conditions resulted in a subsequent deterioration in results in 1984.

Molten iron is 'charged' into a steel-making vessel in Algoma's No. 2 shop.

Iron and Steel

Algoma Steel, Canada's third largest vertically integrated steel producer, located in northern Ontario, manufactures and sells plate, sheet and strip, structurals, rails and seamless tubular products. The company's steel products are used primarily in the automotive, manufacturing, non-residential construction and energy-related sectors.

AMCA International is engaged world-wide in the design, engineering, manufacturing and marketing of a broad range of industrial products, construction equipment, engineering and construction services and machine tools.

The Algoma Steel Corporation, Limited

The net loss from Algoma Steel, in which Enterprises has a 61.2% interest, amounted to $37.7 million in 1984, compared with losses of $84.2 million in 1983 and $31.5 million in 1982.

Algoma's total revenues, including its share of the results of AMCA International, amounted to $1,101 million in 1984, compared with $841 million in 1983 and $902 million in 1982. Revenues increased by $260 million in 1984, due chiefly to higher shipments of finished rolled steel products and improved product mix. Prices remained weak and very competitive although there was some strengthening in certain products in the latter part of the year. In addition, the company's revenues reflected the improved performance of AMCA International. Despite higher shipments, Algoma's 1983 revenues were down $61 million from 1982, reflecting reduced selling prices, a sales mix comprising lower priced products and depressed results of AMCA.

Total expenses amounted to $1,147 million in 1984, up from $969 million in 1983 and $942 million in 1982. In 1984, expenses were up $178 million mainly due to the increased shipment volumes. An aggressive cost reduction program partially offset the increase in expenses. Algoma's expenses in 1983 were up $27 million from 1982, largely the result of higher shipment levels and increased interest expense.

University Place, in downtown Toronto, was completed in 1983 and is the new headquarters for Marathon Realty.

AMCA International Limited

In addition to Enterprises' indirect holding of AMCA International, Enterprises has a 16.2% direct holding in AMCA. Enterprises' direct share of AMCA's results, after deduction of preferred dividends, amounted to a loss of $2.6 million in 1984 compared with a loss of $9.2 million in 1983 and a profit of $5.8 million in 1982. AMCA reported a reduced loss in 1984 as a result of a better performance from operations and a refund of a surplus in its Canadian pension fund amounting to $12.7 million. In addition, results included provisions for after-tax losses arising from the write-off of discontinued businesses amounting to $4.6 million in 1984, compared with $27.0 million in 1983. As well as its direct and indirect interest in the company, Enterprises received from AMCA preferred dividends of $1.3 million in 1984.

In 1984, AMCA's total revenues were $1,953 million compared with $1,625 million in 1983 and $1,840 million in 1982. Revenues were up $328 million in 1984, due to higher sales volumes of construction equipment, metal buildings and machine tools. An offsetting factor was the severe discounting of prices, particularly for machine tools and construction equipment. The decline in revenues in 1983 from 1982 of $215 million reflected significant reductions in sales volumes and selling prices.

Expenses of AMCA were $1,959 million in 1984, $1,682 million in 1983 and $1,779 million in 1982. In 1984, the increase in expenses amounted to $277 million reflecting the higher sales volume. The reduction of expenses in 1983 of $97 million was consistent with lower product shipment volumes.

Real Estate

Marathon Realty develops, owns and manages income-producing properties across Canada and the United States. Marathon's extensive portfolio includes shopping centres, office, industrial and aviation-related buildings, and industrial and business parks.

Marathon Realty Company Limited

Net income from Marathon in 1984 amounted to $27.3 million, compared with $25.9 million in 1983 and $26.2 million in 1982.

Total revenues were $278 million in 1984, up from $274 million in 1983 and $251 million in 1982. In 1984, Marathon's total revenues were higher than in 1983 due to increased rental revenue from buildings, particularly shopping centres, offset in part by lower income from property sales. The improvement in rental revenues from shopping centres was derived from the company's share of tenant retail sales which improved as a result of increased consumer spending in 1984. Despite pressure on rental rates, revenues from office buildings were up reflecting better occupancy levels.

Maple Leaf Mills has spent more than $20 million to modernize its flour mill and install a highly automated bakery mix plant at Calgary.

An increase of $23 million in 1983 revenues compared with 1982 was due largely to rentals from new buildings and increased property sales.

Total expenses of $250 million in 1984 compared with $248 million in 1983 and $225 million in 1982. Marathon's 1984 expenses were higher than in 1983, largely reflecting increased building operating expenses. Expenses in 1983 were up $23 million over 1982 due principally to the increased costs of property sales and higher interest expense.

Agriproducts

Maple Leaf Mills is a major Canadian agriproducts company engaged in the manufacturing, processing and distribution of food and agricultural products throughout Canada and abroad. Its diversified operations include the production of industrial and consumer flour and flour-based products. Maple Leaf's operations also include a rendering business in Canada, a fully integrated poultry business in Ontario, an oilseed processing operation, production of a complete range of animal and poultry feeds, and merchandising and handling of grain through a network of country and terminal grain elevators principally in Ontario.

On July 31, 1984, CanPac AgriProducts Limited was merged into its parent Canadian Pacific Enterprises (U.S.) Inc. As a result, Baker Commodities, Inc. and Theresa Friedman & Sons, Inc. became wholly-owned subsidiaries of Enterprises (U.S.).

Based in the United States, Baker Commodities is a rendering company and Theresa Friedman processes, packages and sells fruit preserves and fruit juices.

Maple Leaf Mills Limited

Income from Maple Leaf was $15.5 million in 1984, compared with $14.9 million in 1983 and $12.2 million in 1982. In 1984, improved results in most sectors of the business were partly offset by losses incurred in international grain trading.

Total revenues of Maple Leaf were $980 million in 1984, compared with $1,031 million in 1983 and $913 million in 1982. Revenues decreased $51 million in 1984 due to lower international grain trading activity, partly offset by increased sales volumes of flour and poultry, reflecting a full year's impact of operations acquired in 1983, and higher selling prices of vegetable oil, tallow and poultry. Revenues in 1983 were up $118 million from 1982 due primarily to increased international grain trading activity and higher grain prices.

Expenses totalled $961 million in 1984, compared with $1,014 million in 1983 and $899 million in 1982. Maple Leaf's expenses decreased in 1984 in line with its lower overall sales volume. In 1983, expenses were up $115 million over 1982 reflecting a higher sales level.

Baker Commodities, Inc.

Baker Commodities reported net income of $14.9 million in 1984, compared with $3.3 million in 1983 and $0.6 million in 1982.

The increase in net income for 1984 was primarily the result of the elimination of a deferred tax balance of $9.8 million in accordance with provisions of the U.S. Tax Reform Act of 1984. Operating results improved in 1984, reflecting increased tallow merchandising activity and higher selling prices for vegetable oil. In 1983, Baker reported higher earnings because of a reduction in raw material costs and improved operating efficiencies.

Early in 1985, Baker Commodities was sold. After the effects of the deferred tax elimination, a net book loss on the sale amounting to $2.0 million was incurred. Provision for this loss was included in the 1984 results of Enterprises (U.S.) in the Financial sector.

Theresa Friedman & Sons, Inc.

Net income from Theresa Friedman amounted to $421,000 in 1984, compared with $2.3 million in 1983 and $0.9 million in 1982.

Lower income in 1984 resulted from the reduction of sales to a major customer and more competitive pricing. Despite a decline in sales volume in 1983, the company reported improved earnings due to higher selling prices and reduced operating costs.

Other Businesses

Syracuse China manufactures commercial chinaware at plants in the United States and Canada. Processed Minerals, based in the United States, operates two divisions. Carey Salt produces and markets salt and dehydrated products for a variety of end uses. NYCO processes and markets wollastonite, a non-metallic mineral used as a filler in the manufacture of such products as ceramics, plastics and coatings.

Syracuse China Corporation

Net income from Syracuse China was $4.8 million in 1984 compared with $4.4 million in 1983 and $4.2 million in 1982. The improvement over the period resulted principally from higher selling prices of chinaware and a more favourable product mix.

Late in 1984, the company purchased a small chinaware company, based in Pennsylvania.

Financial

Chateau Insurance is federally licenced to transact all classes of insurance with the exception of life and annuities.

Canadian Pacific Securities, a wholly-owned subsidiary of Enterprises, raises funds by way of bank loans, short term promissory notes and medium and long term debt in order to provide financing for various companies in the Enterprises' group.

Processed Minerals Incorporated

Processed Minerals reported earnings of $4.3 million in 1984 compared with $2.2 million in 1983 and $2.6 million in 1982. The increased income in 1984 reflected higher prices and sales volumes of evaporated and rock salt and wollastonite, partially offset by decreased sales volumes of solar salt and molasses. Included in the results for 1983 was a write-down in the carrying cost of certain fixed assets. Operating results were up in 1983 over 1982 due to improved sales volumes for most products.

Chateau Insurance Company

Chateau Insurance recorded a loss of $484,000 in 1984 compared with net earnings of $390,000 in 1983 and a loss of $2.0 million in 1982. Results for 1984 were adversely affected by the necessity to increase loss provisions for prior years' claims. The improvement in 1983 reflected the company's efforts to phase out unprofitable lines of business—personal lines and assumed reinsurance.

Canadian Pacific Securities Limited

Earnings of Canadian Pacific Securities amounted to $1.8 million in 1984 compared with $2.0 million in 1983 and $2.1 million in 1982.

Canadian Pacific Enterprises Limited—Corporate activities

Corporate activities contributed earnings of $5.8 million in 1984, $2.7 million in 1983 and $18.3 million in 1982. The Corporation undertook the dissolution of two offshore subsidiaries in December 1984—Canadian Pacific Enterprises (International) B.V. and Canadian Pacific Enterprises (Finance) N.V. As a result, corporate activities recorded a gain of $4.2 million. In addition, results in 1984 reflected an increase in interest income. Earnings in 1982 included a gain of $19 million on sale of portfolio investments.

Summary of Significant Accounting Policies

General

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The significant differences between Canadian and United States generally accepted accounting principles, insofar as they apply to the Corporation, are described under Supplementary Data. Unless otherwise specified, all dollar amounts are expressed in Canadian dollars.

Consolidation

The financial statements of all subsidiary companies are consolidated in the financial statements of Canadian Pacific Enterprises Limited (Enterprises) except those of two finance companies, which are accounted for on the equity basis. The classes of business are based upon the major activities of significant subsidiaries, and the principal companies included in each class are as follows:

Percentage Ownership, December 31		**1984**	1983	1982
Oil and Gas	PanCanadian Petroleum Limited	**87.08%**	87.08%	87.08%
Mines and Minerals	Cominco Ltd.	**53.23%**	54.31%	54.34%
	Fording Coal Limited:			
	Enterprises	**60%**	60%	60%
	Cominco	**40%**	40%	40%
	Steep Rock Resources Inc.	**79.61%**	79.61%	79.44%
Forest Products	CIP Inc.	**100%**	100%	100%
	Great Lakes Forest Products Limited	**54.28%**	54.28%	54.28%
	Pacific Forest Products Limited	**100%**	100%	100%
	Commandant Properties, Limited	**100%**	100%	100%
Iron and Steel	The Algoma Steel Corporation, Limited	**61.17%**	61.16%	61.15%
	AMCA International Limited:			
	Enterprises	**16.15%**	16.21%	16.38%
	Algoma	**34.47%**	34.59%	34.94%
Real Estate	Marathon Realty Company Limited	**100%**	100%	100%
Agriproducts	Maple Leaf Mills Limited	**100%**	100%	100%
	CanPac AgriProducts Limited+	–	100%	100%
	Baker Commodities, Inc.	**100%**	100%	100%
	Theresa Friedman & Sons, Inc.	**100%**	100%	100%
Other Businesses	Canadian Pacific Hotels Limited	–	–	100%
	Syracuse China Corporation	**100%**	100%	100%
	Processed Minerals Incorporated	**100%**	100%	100%
Financial	Canadian Pacific Enterprises Limited— Corporate activities			
	Canadian Pacific Securities Limited	**100%**	100%	100%
	Chateau Insurance Company	**99.98%**	99.98%	99.98%
	Canadian Pacific Enterprises (International) B.V.*	–	100%	100%
	Canadian Pacific Enterprises (U.S.) Inc.	**100%**	100%	100%
	Canadian Pacific Enterprises (Finance) N.V.*	–	100%	100%

+In July 1984, this company was merged with its parent, Canadian Pacific Enterprises (U.S.) Inc. The operating subsidiaries of CanPac AgriProducts Limited, Baker Commodities, Inc. and Theresa Friedman & Sons, Inc. continue to be reported in the Agriproducts segment.

*These companies were liquidated in December 1984.

Consolidation continued

Algoma Steel supplies structural steel and plate to AMCA International. In reporting the results of Iron and Steel operations in the statement of consolidated income, the following amounts have been eliminated from sales and operating revenue and from expenses: 1984, $41,965,000; 1983, $31,010,000; 1982, $35,900,000. Inter-company interest charges, amounting to $103,259,000 in 1984, $99,070,000 in 1983 and $72,310,000 in 1982, have not been eliminated in the statement of consolidated income in order to present fairly the results by activity. Enterprises' net income is not affected by this practice. There are no other significant inter-company charges within the Enterprises group of companies.

Inventories

Products, work in progress and raw materials of mining operations are valued generally at the lower of cost (determined on the monthly average method) and net realizable value. Supplies are valued at cost less appropriate allowances for obsolescence.

Finished products of Iron and Steel and work in progress related to steel making operations are valued at the lower of cost and net realizable value. Work in progress related to construction contracts is stated at accumulated production costs less amounts charged to income based on the percentage of completion of individual contracts. Raw materials and supplies are valued at the lower of cost and replacement cost.

Other inventories (principally related to Forest Products and Agriproducts) are valued at the lower of cost (generally average cost) and net realizable value.

Accounting for oil and gas properties

The full cost method of accounting is followed for oil and gas properties, whereby all costs related to the exploration for and the development of oil and gas reserves are capitalized on a world-wide cost centre basis. Such costs are depleted by the unit of production method based on estimated proven oil and gas reserves. In determining the depletion and depreciation provisions, the Corporation includes any excess of the net book value of conventional oil and natural gas property, plant, and equipment assets over the unescalated net future operating revenues from its proven crude oil and natural gas reserves and the value of undeveloped properties.

Depreciation on plant and equipment is provided at rates which will amortize original costs over their estimated useful lives. The diminishing balance method is applied to all plant and equipment, except for the Empress and Syncrude facilities and the methanol plant, which are depreciated on the straight-line basis.

Interest on funds borrowed to finance major projects is capitalized during the construction period.

Accounting for mining properties

Expenditures on general mineral exploration are charged against earnings as incurred. Expenditures to investigate identified properties and to develop new mines are capitalized as mineral properties and development. Because of the uncertainty of the final outcome, expenditures on investigation, together with the cost of certain investments in mineral companies, are amortized against earnings by charges for depletion. Abandoned properties are written off in the year of abandonment. Depletion on operating mines is provided on a unit of production or on a time basis based on the mineral reserves position.

Interest related to the financing of major expenditures for fixed assets is capitalized during the construction period.

Summary of Significant Accounting Policies

Accounting for iron and steel properties

Depreciation of manufacturing plant and equipment is provided on a straight-line basis at rates intended to amortize the cost of these assets over their estimated economic lives. Mining equipment and mine development are either depreciated on a straight-line basis at rates intended to amortize the cost of these assets over their estimated economic lives or are amortized on a unit of production basis over the estimated recoverable raw material reserves.

Expenditures on exploration for, investigation of, and holding, raw material properties, and costs of research and start-up of new production facilities, are charged to earnings as incurred.

Interest incurred on funds borrowed directly to finance the development of new raw material properties and the construction of new manufacturing facilities is capitalized during the period of construction and initial development.

Accounting for real estate properties

All operating and carrying costs net of rental revenues are capitalized for all income properties under construction until a satisfactory level of occupancy is obtained, subject to a reasonable maximum period of time.

Real estate is stated at cost, except for land held for sale which is stated at the lower of cost and net realizable value. Cost includes carrying costs, principally real estate taxes, interest, the applicable portion of salaries and expenses of development personnel and, for income properties, initial leasing costs.

The sinking fund method of providing depreciation is used for the majority of buildings. This method will write off the cost of the buildings over a maximum period of 40 years in a series of annual instalments increasing at the rate of 5% compounded annually.

Accounting for other properties

Depreciation and amortization of other properties are charged to earnings, either on a straight-line or on a unit of production basis, over the estimated economic lives of the facilities involved.

Interest on debt incurred to finance major expansion programs under Forest Products and Other Businesses is capitalized during the construction period.

Pensions

In addition to current service costs, charges to income include annual payments on account of past service liabilities. Such liabilities are being funded over varying periods to 1999.

Earnings per common share

Earnings per common share are calculated after providing for dividends on preferred shares using the weighted average number of common shares outstanding during the year.

Statement of Consolidated Income

For the Year ended December 31

	(in thousands)	1984	1983	1982
Oil and Gas	Gross operating revenue	**$1,055,358**	$ 884,387	$ 792,599
	Expenses including income and revenue taxes	**755,329**	643,296	561,933
		300,029	241,091	230,666
	Interest of outside shareholders	**38,764**	31,149	29,802
	Net income	**261,265**	209,942	200,864
Mines and Minerals	Gross operating revenue	**1,904,581**	1,611,548	1,554,334
	Expenses including income taxes	**1,864,658**	1,649,809	1,577,401
		39,923	(38,261)	(23,067)
	Interest of outside shareholders	**23,344**	(12,778)	(9,869)
	Net income	**16,579**	(25,483)	(13,198)
Forest Products	Sales and operating revenue	**2,199,331**	1,832,177	1,654,128
	Expenses including income taxes	**2,201,398**	1,947,735	1,746,788
		(2,067)	(115,558)	(92,660)
	Interest of outside shareholders	**7,718**	(16,746)	4,684
	Net income	**(9,785)**	(98,812)	(97,344)
Iron and Steel	Sales and operating revenue	**3,017,627**	2,454,605	2,680,471
	Expenses including income taxes	**3,063,530**	2,619,839	2,684,669
		(45,903)	(165,234)	(4,198)
	Interest of outside shareholders	**(6,861)**	(71,808)	21,519
	Net income	**(39,042)**	(93,426)	(25,717)
Real Estate	Gross rentals and other income	**277,570**	274,083	251,065
	Expenses including income taxes	**249,794**	247,872	224,498
		27,776	26,211	26,567
	Interest of outside shareholders	**453**	350	355
	Net income	**27,323**	25,861	26,212
Agriproducts	Gross operating revenue	**1,258,658**	1,229,351	1,137,473
	Expenses including income taxes	**1,225,126**	1,206,202	1,118,664
		33,532	23,149	18,809
	Interest of outside shareholders	**2,684**	2,547	2,189
	Net income	**30,848**	20,602	16,620
Other Businesses	Gross operating revenue	**93,245**	322,910	327,360
	Expenses including income taxes	**84,081**	307,628	312,092
	Net income	**9,164**	15,282	15,268
Financial	Gross operating revenue	**152,946**	142,248	169,543
	Expenses including income taxes	**142,172**	133,348	142,104
	Net income	**10,774**	8,900	27,439
	Income before extraordinary item	**307,126**	62,866	150,144
	Extraordinary item	**–**	31,435	–
Net Income		**$ 307,126**	$ 94,301	$ 150,144
Earnings per Common Share	Income before extraordinary item	**$ 1.96**	$ 0.41	$ 1.05
	Net income	**$ 1.96**	$ 0.61	$ 1.05

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Statement of Consolidated Retained Income

For the Year ended December 31

(in thousands)	1984	1983	1982
Balance, January 1	**$1,811,602**	$1,840,308	$1,830,138
Net income	**307,126**	94,301	150,144
	2,118,728	1,934,609	1,980,282
Underwriters' commission and expenses in connection with the issue of common shares (net of income tax of $1,462,000)	**–**	–	1,597
Dividends			
Preferred shares	**3,666**	–	–
Common shares (per share—1984-$0.80; 1983-$0.80; 1982-$0.96)	**123,430**	123,007	138,377
	127,096	123,007	138,377
Balance, December 31	**$1,991,632**	$1,811,602	$1,840,308

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Statement of Changes in Consolidated Financial Position

For the Year ended December 31

	(in thousands)	1984	1983	1982
Source of Funds	Net income before extraordinary item	**$ 307,126**	$ 62,866	$ 150,144
	Depreciation, depletion and amortization	**550,786**	484,939	419,808
	Deferred income taxes	**(9,777)**	(168,777)	(37,296)
	Outside shareholders' interest in income of subsidiaries	**66,102**	(67,286)	48,680
	Funds from operations	**914,237**	311,742	581,336
	Proceeds from sale of subsidiary	**–**	125,000	–
	Issuance of preferred shares	**100,000**	–	–
	Issuance of common shares	**11,993**	10,251	213,450
	Reduction of investments	**33,197**	33,153	65,859
	Issuance of long term debt	**288,080**	576,573	1,185,718
	Issuance of shares by subsidiaries	**116,704**	218,890	102,184
	Proceeds from disposal of properties	**105,041**	74,769	55,953
	Working capital of subsidiary acquired and consolidated	**–**	–	116,646
	Working capital deficit of subsidiary sold	**–**	18,279	–
		$1,569,252	$1,368,657	$2,321,146
Application of Funds	Additions to properties	**$ 716,337**	$ 640,069	$1,265,377
	Additions to investments	**57,830**	15,539	43,026
	Investment in subsidiary acquired and consolidated	**–**	–	389,982
	Reduction in long term debt	**499,600**	518,283	592,691
	Reduction of outside shareholders' interest in subsidiaries	**–**	–	16,871
	Dividends	**127,096**	123,007	138,377
	Dividends paid outside shareholders of subsidiaries	**94,073**	84,101	86,155
	Sundries	**4,046**	2,290	(45,099)
	Increase (Decrease) in working capital	**70,270**	(14,632)	(166,234)
		$1,569,252	$1,368,657	$2,321,146
Changes in Consolidated Working Capital	Current Assets			
	Cash and temporary investments	**$ (163,052)**	$ 109,748	$ (245,699)
	Loans receivable	**(18,631)**	14,895	(149)
	Accounts receivable	**286,247**	39,493	(230,392)
	Inventories	**5,062**	(157,285)	101,983
	Prepaid expenses	**(540)**	(6,093)	20,478
		109,086	758	(353,779)
	Current Liabilities			
	Bank loans	**115,761**	(121,496)	(59,252)
	Accounts payable	**28,529**	71,386	(144,870)
	Accrued charges	**51,788**	13,048	58,525
	Notes and accrued interest payable	**67,096**	(4,893)	(67,433)
	Income and other taxes payable	**(108,544)**	60,589	(37,758)
	Dividends payable	**3**	(224)	(7,140)
	Long term debt maturing within one year	**(115,817)**	(3,020)	70,383
		38,816	15,390	(187,545)
	Increase (Decrease) in Working Capital	**$ 70,270**	$ (14,632)	$ (166,234)

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Consolidated Balance Sheet

December 31

Assets

		(in thousands) 1984	1983
Current Assets	Cash and temporary investments, at cost (approximates market)	**$ 323,571**	$ 486,623
	Loans receivable from affiliates	**39,678**	58,309
	Accounts receivable	**1,416,128**	1,129,881
	Inventories	**1,696,475**	1,691,413
	Prepaid expenses	**53,257**	53,797
		3,529,109	3,420,023
Investments		**333,966**	383,078
Properties, at cost	Oil and gas	**2,546,105**	2,265,730
	Mines and minerals	**2,550,635**	2,413,289
	Forest products	**2,481,910**	2,278,009
	Iron and steel	**2,127,529**	2,087,303
	Real estate	**1,301,535**	1,234,624
	Agriproducts	**334,632**	315,916
	Other businesses	**83,975**	70,964
	Financial	**1,968**	1,775
		11,428,289	10,667,610
	Less: Accumulated depreciation, depletion and amortization	**3,402,524**	2,951,162
		8,025,765	7,716,448
Other Assets and Deferred Charges		**468,557**	414,346
		$12,357,397	$11,933,895

Auditors' Report

To the Shareholders of Canadian Pacific Enterprises Limited

We have examined the consolidated balance sheets of Canadian Pacific Enterprises Limited as at December 31, 1984 and 1983 and the statements of consolidated income, consolidated retained income and changes in consolidated financial position for each of the three years in the period ended December 31, 1984. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1984 and 1983 and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1984 in accordance with generally accepted accounting principles in Canada. Except for the change in the method of accounting for foreign currency translation as explained in Note 16 to the financial statements, these principles were consistently applied.

Calgary, Alberta,
February 28, 1985

Price Waterhouse,
Chartered Accountants

Liabilities

		(in thousands) 1984	1983
Current Liabilities	Bank loans	$ 305,215	$ 189,454
	Accounts payable	537,333	508,804
	Accrued charges	797,833	746,045
	Notes and accrued interest payable	391,279	324,183
	Income and other taxes payable	63,708	172,252
	Dividends payable	34,131	34,128
	Long term debt maturing within one year	98,550	214,367
		2,228,049	2,189,233
Deferred Liabilities		193,894	183,047
Long Term Debt		3,884,489	3,933,127
Outside Shareholders' Interest in Subsidiary Companies		1,731,068	1,615,121
Deferred Income Taxes		1,041,339	1,047,540
Shareholders' Equity	Preferred shares Authorized – 12,500,000 shares Issued – 5,000,000 Cumulative Redeemable Convertible, Series B shares	100,000	–
	Common shares Authorized – Unlimited Issued – 154,505,743 (1983–153,941,264) shares	1,084,372	1,072,379
	Paid-in surplus	81,846	81,846
	Retained income	1,991,632	1,811,602
	Foreign currency translation adjustments	20,708	–
		3,278,558	2,965,827
		$12,357,397	$11,933,895

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Approved by the Board:
Robert W. Campbell, Director S. E. Eagles, Director

1. Expenses Including Income Taxes

	(in thousands)	1984	1983	1982
Oil and Gas	Cost of goods sold	**$ 217,407**	$ 192,533	$ 169,522
	Selling, general and administrative	**34,235**	32,154	27,789
	Depreciation, depletion and amortization	**135,545**	113,702	88,771
	Interest	**21,694**	26,858	22,454
	Income and revenue taxes	**346,448**	278,049	253,397
		755,329	643,296	561,933
Mines and Minerals	Cost of goods sold	**1,274,552**	1,154,789	1,103,371
	Distribution, selling, general and administrative	**349,573**	309,586	298,029
	Depreciation, depletion and amortization	**133,817**	114,354	101,795
	Interest	**99,102**	92,239	101,959
	Income taxes	**7,614**	(21,159)	(27,753)
		1,864,658	1,649,809	1,577,401
Forest Products	Cost of goods sold	**1,844,523**	1,651,550	1,455,813
	Selling, general and administrative	**84,428**	88,238	86,439
	Depreciation, depletion and amortization	**126,250**	109,922	93,034
	Interest	**159,583**	153,803	175,852
	Income taxes	**(13,386)**	(55,778)	(64,350)
		2,201,398	1,947,735	1,746,788
Iron and Steel	Cost of goods sold	**2,516,181**	2,155,230	2,197,408
	Selling, general and administrative	**341,679**	376,032	332,532
	Depreciation, depletion and amortization	**112,903**	98,704	92,192
	Interest	**139,077**	132,808	125,194
	Income taxes	**(46,310)**	(142,935)	(62,657)
		3,063,530	2,619,839	2,684,669
Real Estate	Operating expenses and cost of sales	**145,029**	145,382	128,801
	Depreciation	**15,606**	14,183	12,135
	Interest	**70,272**	68,966	61,108
	Income taxes	**18,887**	19,341	22,454
		249,794	247,872	224,498
Agriproducts	Cost of goods sold	**1,001,176**	985,501	912,885
	Selling, general and administrative	**182,582**	170,890	164,079
	Depreciation and amortization	**20,368**	18,257	17,291
	Interest	**16,952**	17,376	18,178
	Income taxes	**4,048**	14,178	6,231
		1,225,126	1,206,202	1,118,664

1. Expenses Including Income Taxes continued

	(in thousands)	1984	1983	1982
Other Businesses	Operating expenses and cost of goods sold	**$ 51,976**	$ 223,104	$ 229,524
	Selling, general and administrative	**16,524**	46,241	47,014
	Depreciation and amortization	**5,987**	15,588	14,349
	Interest	**2,795**	9,733	9,935
	Income taxes	**6,799**	12,962	11,270
		84,081	307,628	312,092
Financial	General and administrative	**25,856**	22,631	32,249
	Depreciation and amortization	**310**	229	241
	Interest	**114,484**	111,235	119,877
	Income taxes	**1,522**	(747)	(10,263)
		142,172	133,348	142,104
		$9,586,088	$8,755,729	$8,368,149

2. Interest Expense

(in thousands)	1984	1983	1982
Interest on long term debt	**$452,340**	$438,878	$425,333
Interest on short term debt	**68,360**	75,070	136,914
	$520,700	$513,948	$562,247
Interest capitalized on funds borrowed to finance capital projects	**$ 33,176**	$ 35,990	$ 84,297

3. Income Taxes

(in thousands)	1984	1983	1982
The deferred income tax provision arose as follows:			
Capital cost allowances	**$ (47,713)**	$ (50,710)	$ 77,749
Exploration and development allowances	**44,599**	17,251	51,813
Loss carry forwards recognized	**(6,132)**	(139,130)	(139,179)
Other	**(531)**	3,812	(27,679)
	$ (9,777)	$(168,777)	$ (37,296)
Income tax at the statutory tax rate may be reconciled to the effective tax as follows:			
Income tax at the statutory rate	**$ 333,231**	$ 50,784	$ 155,810
Depletion and resource allowances	**(103,836)**	(82,269)	(66,841)
Foreign tax differentials	**(27,624)**	(26,763)	(29,877)
Investment tax credits	**(24,850)**	(7,011)	(8,501)
Royalties and mineral reserve tax	**30,414**	27,986	22,695
Manufacturing and processing credits	**2,044**	16,033	13,208
Loss carry forwards not recognized	**24,190**	24,935	–
Other	**(4,227)**	24,651	(27,827)
Income taxes	**229,342**	28,346	58,667
Petroleum and gas revenue taxes	**96,280**	75,565	69,662
Income and revenue taxes as charged to income	**$ 325,622**	$ 103,911	$ 128,329

4. Geographic Areas

1984 (in thousands)	Canada	United States	Other	Eliminations	Total
Gross operating revenue	$ 7,196,914	$2,424,387	$338,015	$103,259	$ 9,856,057
Inter-area transfers	258,698	222,481	54,391	535,570	–
	7,455,612	2,646,868	392,406	638,829	9,856,057
Expenses	6,827,102	2,659,970	308,964	638,829	9,157,207
Net income before taxes	628,510	(13,102)	83,442	–	698,850
Income and revenue taxes	338,450	(26,804)	13,976	–	325,622
	290,060	13,702	69,466	–	373,228
Interest of outside shareholders	30,831	(7,674)	42,945	–	66,102
Net income	$ 259,229	$ 21,376	$ 26,521	$ –	$ 307,126
Identifiable Assets	$10,363,605	$2,303,497	$402,089	$711,794	$12,357,397
1983					
Gross operating revenue	$ 6,425,819	$1,943,699	$381,791	$ 99,070	$ 8,652,239
Inter-area transfers	162,503	154,747	26,413	343,663	–
	6,588,322	2,098,446	408,204	442,733	8,652,239
Expenses	6,443,441	2,220,517	331,523	442,733	8,552,748
Net income before taxes	144,881	(122,071)	76,681	–	99,491
Income and revenue taxes	139,101	(52,651)	17,461	–	103,911
	5,780	(69,420)	59,220	–	(4,420)
Interest of outside shareholders	(47,680)	(52,760)	33,154	–	(67,286)
Income before extraordinary item	53,460	(16,660)	26,066	–	62,866
Extraordinary item	31,435	–	–	–	31,435
Net income	$ 84,895	$ (16,660)	$ 26,066	$ –	$ 94,301
Identifiable Assets	$10,217,639	$2,069,145	$476,138	$829,027	$11,933,895

4. Geographic Areas continued

1982 (in thousands)	Canada	United States	Other	Eliminations	Total
Gross operating revenue	$ 5,999,721	$2,181,938	$385,314	$ 72,310	$ 8,494,663
Inter-area transfers	275,722	193,595	94,814	564,131	–
	6,275,443	2,375,533	480,128	636,441	8,494,663
Expenses	6,073,496	2,360,764	369,691	636,441	8,167,510
Net income before taxes	201,947	14,769	110,437	–	327,153
Income and revenue taxes	127,580	(24,126)	24,875	–	128,329
	74,367	38,895	85,562	–	198,824
Interest of outside shareholders	(15,606)	14,480	49,806	–	48,680
Net income	$ 89,973	$ 24,415	$ 35,756	$ –	$ 150,144
Identifiable Assets	$10,070,103	$2,218,578	$477,009	$748,212	$12,017,478

Export Sales (in thousands)		**1984**	1983	1982
Included under the Canada caption above	United States	**$1,807,627**	$1,389,151	$1,426,317
	Other	**1,094,981**	881,787	834,579
		$2,902,608	$2,270,938	$2,260,896

Transfers between geographic segments are accounted for at prices comparable to market prices for similar products. The income account eliminations relate to inter-company interest as well as inter-area transfers, while the identifiable asset eliminations are in respect of inter-company loans.

5. Inventories

(in thousands)	1984	1983
Raw materials	**$ 603,442**	$ 591,835
Work in progress	**266,041**	283,134
Finished goods	**589,002**	594,086
Stores and materials	**237,990**	222,358
	$1,696,475	$1,691,413

6. Investments

(in thousands)	1984	1983
Portfolio, at cost		
(Market value $13,270,000; 1983 $26,326,000)	**$ 16,816**	$ 23,161
Other		
Accounted for on the equity basis:		
AMCA International Finance Corporation (formerly Koehring Finance Corporation)	**74,738**	60,941
AMCA International Finance Company Limited	**10,076**	10,030
Aberfoyle Limited	**26,886**	29,790
Tahsis Company Ltd.	**–**	71,827
Tilden Iron Ore Partnership	**47,664**	44,429
Other	**59,219**	66,742
Accounted for on the cost basis:		
Panarctic Oils Ltd.	**41,725**	41,646
Tara Exploration and Development Company Limited	**–**	22,515
Other	**56,842**	11,997
	$333,966	$383,078

7. Properties and Accumulated Depreciation, Depletion and Amortization

(in thousands)		1984			1983
		Cost	Accumulated depreciation, depletion and amortization	Net	Net
Oil and Gas	Plant and equipment	$ 813,484	$ 269,306	$ 544,178	$ 538,873
	Petroleum, natural gas and mineral properties	1,732,621	486,006	1,246,615	1,104,627
		2,546,105	755,312	1,790,793	1,643,500
Mines and Minerals	Land, buildings and equipment	1,989,279	783,180	1,206,099	1,211,528
	Mining properties and development	561,356	144,895	416,461	383,008
		2,550,635	928,075	1,622,560	1,594,536
Forest Products	Land and improvements	64,007	–	64,007	62,373
	Buildings and equipment	2,234,097	624,762	1,609,335	1,523,639
	Timberlands and licences	183,806	19,478	164,328	161,910
		2,481,910	644,240	1,837,670	1,747,922
Iron and Steel	Manufacturing plants	1,948,157	725,212	1,222,945	1,240,572
	Raw material properties	179,372	101,230	78,142	74,627
		2,127,529	826,442	1,301,087	1,315,199
Real Estate	Land	376,867	–	376,867	347,559
	Buildings	872,214	82,873	789,341	732,804
	Construction in progress	52,454	–	52,454	84,380
		1,301,535	82,873	1,218,662	1,164,743
Agriproducts	Land and improvements	24,882	1,107	23,775	22,959
	Buildings and equipment	309,750	136,941	172,809	174,635
		334,632	138,048	196,584	197,594
Other Businesses	Land and improvements	6,596	818	5,778	5,064
	Buildings and equipment	77,379	25,714	51,665	46,932
		83,975	26,532	57,443	51,996
Financial	Leasehold improvements and equipment	1,968	1,002	966	958
		$11,428,289	$3,402,524	$8,025,765	$7,716,448

8. Capital Expenditures

(in thousands)	1984	1983	1982
Oil and Gas	**$283,878**	$222,495	$ 278,797
Mines and Minerals	**152,506**	122,893	283,291
Forest Products	**91,736**	95,873	271,491
Iron and Steel	**60,909**	62,564	222,276
Real Estate	**105,889**	93,377	161,659
Agriproducts	**16,885**	24,231	25,147
Other Businesses	**4,253**	18,575	22,106
Financial	**281**	61	610
	$716,337	$640,069	$1,265,377

9. Identifiable Assets

(in thousands)	1984	1983	1982
Oil and Gas	**$ 2,113,793**	$ 1,907,200	$ 1,776,930
Mines and Minerals	**2,344,695**	2,317,186	2,350,785
Forest Products	**2,567,413**	2,470,592	2,466,239
Iron and Steel	**3,204,781**	3,041,463	3,180,669
Real Estate	**1,275,651**	1,218,209	1,195,997
Agriproducts	**428,926**	452,318	370,538
Other Businesses	**99,259**	93,749	287,022
Financial	**1,034,673**	1,262,205	1,137,510
Eliminations (in respect of inter-company loans)	**(711,794)**	(829,027)	(748,212)
	$12,357,397	$11,933,895	$12,017,478

10. Long Term Debt

	(in thousands)	1984	1983
PanCanadian Petroleum Limited	8⅛%-16½% Debentures due 1985-1993	$ 155,250	$ 156,625
Cominco Ltd.	Bank loans due 1985-1994	388,808	422,655
	8½%-10⅞% Sinking Fund Debentures due 1991-1995	91,711	95,645
	Notes due 1985-1996	88,305	79,929
	Subsidiaries of Cominco Ltd.	90,632	94,257
CIP Inc.	Bank loans due 1987-1996	362,347	666,303
	Sundry—due 1985-1996	76,159	24,064
Great Lakes Forest Products Limited	Bank loans due 1985-1990	160,350	120,021
	8%-11¼% Sinking Fund Bonds due 1989-1995	37,832	39,266
	8¾% Debentures due 1984	—	14,415
	Sundry—due 1985-1989	9,831	13,927
The Algoma Steel Corporation, Limited	Bank loans due 1985-1993	111,466	90,000
	7⅜%-17⅜% Sinking Fund Debentures due 1987-1997	172,000	191,800
	Floating Rate Debenture due 1990	132,170	122,434
	Floating Rate Income Debentures due 1994-1999	112,868	106,880
	9.65% Note due 1985-2000	42,295	34,000
AMCA International Limited	Bank loan due 1985-1998	270,591	264,929
	8¼%-12¼% Debentures due 1986-1999	220,223	184,454
	Other notes payable due 1985-1997	60,925	63,054
Marathon Realty Company Limited	Bank loans due 1985-1987	127,613	107,146
	9½%-17½% Sinking Fund Bonds due 1987-2003	164,907	168,281
	Mortgages due 1985-2014	363,297	362,984
	Sundry—due 1985-1991	80,452	79,799
Maple Leaf Mills Limited	Bank loans due 1985-1991	11,150	10,000
	8½%-11⅝% Sinking Fund Debentures due 1988-1998	43,899	42,846
	Sundry—due 1985-1988	5,786	7,824
Canadian Pacific Securities Limited	Bank loan due 1984	—	2,140
	8¼%-9½% Debentures due 1990-1993	57,083	89,539
	11⅞%-17¾% Notes due 1986-1990	308,779	299,836
	6⅜%-7½% Sfr. Guaranteed Notes due 1988	162,127	154,230
Other companies		74,183	38,211
		3,983,039	4,147,494
	Less: Long term debt maturing within one year	98,550	214,367
		$3,884,489	$3,933,127

Of the aggregate bank loans of $1,530,135,000 included above, approximately $1,479,906,000 bear interest at rates which fluctuate with bank prime or money market rates.

At December 31, 1983, foreign currency long term debt, denominated principally in United States dollars, translated at current rates would be $1,400,687,000, which is $52,072,000 more than the amount at which it is carried above. Effective January 1, 1984 foreign currency long term debt is translated at current rates, as described in Note 16.

Annual maturities and sinking fund requirements for each of the five years following 1984 are: 1985, $98,550,000; 1986, $185,559,000; 1987, $505,168,000; 1988, $579,394,000; 1989, $479,048,000.

11. Outside Shareholders' Interest in Subsidiary Companies

(in thousands)	**1984**	1983
PanCanadian Petroleum Limited	**$ 158,035**	$ 134,598
Cominco Ltd.		
$2.00 Tax deferred exchangeable preferred shares, series A	**42,146**	43,061
Floating rate preferred shares, series C	**50,000**	50,000
$3.25 Cumulative redeemable preferred shares, series D	**50,000**	50,000
Common share equity	**377,119**	366,254
Steep Rock Resources Inc.	**2,610**	2,531
CIP Inc.	**38,519**	24,782
Great Lakes Forest Products Limited	**150,226**	145,001
The Algoma Steel Corporation, Limited		
8% Tax deferred preference shares, series A	**44,608**	47,725
Floating rate preference shares	**80,000**	80,000
$2.00 Cumulative redeemable convertible class B preference shares	**95,000**	95,000
Common share equity	**236,801**	261,129
AMCA International Limited		
8.84% Cumulative redeemable retractable preferred shares	**75,000**	75,000
9.5% Cumulative redeemable convertible preferred shares	**100,000**	–
Common share equity	**217,350**	228,454
Other	**13,654**	11,586
	$1,731,068	$1,615,121

12. Capital Stock

(in thousands)	**1984**		1983		1982	
	Number	Amount	Number	Amount	Number	Amount
Preferred Shares						
Balance, January 1	–	$ –	–	$ –	–	$ –
Issued for cash	**5,000**	**100,000**	–	–	–	–
Balance, December 31	**5,000**	**$ 100,000**	Nil	$ Nil	Nil	$ Nil
Common Shares						
Balance, January 1	**153,941**	**$1,072,379**	153,474	$1,062,128	141,356	$ 848,678
Issued for cash	**565**	**11,993**	467	10,251	12,118	213,450
Balance, December 31	**154,506**	**$1,084,372**	153,941	$1,072,379	153,474	$1,062,128

Dividends are payable on the preferred shares, Series B, at the rate of one-half the average prime rate plus one percent. Such dividends are cumulative. These preferred shares, which have a stated value of $20 each, may be redeemed at the Corporation's option at any time, at a premium per share of $0.675 prior to April 30, 1985, $0.562 prior to April 30, 1986 and reducing annually thereafter to nil after April 30, 1990. These preferred shares are convertible to common shares after April 30, 1990 on the basis of one common share for each Series B preferred share. Earnings per common share on a fully diluted basis would not be materially different from the amount reported in the statement of consolidated income.

13. Extraordinary Item

The extraordinary item in 1983 represents the gain on sale of Canadian Pacific Hotels Limited, effective December 1, 1983, to Canadian Pacific Air Lines, Limited, a wholly-owned subsidiary of Canadian Pacific Limited. The sale proceeds amounted to $125,000,000.

14. Pensions

At December 31, 1984 there were unfunded liabilities, determined by actuarial evaluations, of $231,000,000 (1983-$207,000,000) which is being funded by a series of equal annual payments ending from 1985 to 1999.

Pension expense, including current service costs and payments on account of unfunded liabilities, was $98,000,000 (1983-$100,000,000; 1982-$113,000,000).

15. Commitments

At December 31, 1984 commitments for capital expenditures amounted to $199,000,000 and minimum payments under operating leases were estimated at $283,000,000 in the aggregate, with annual payments in each of the five years following 1984 of: 1985, $56,000,000; 1986, $45,000,000; 1987, $36,000,000; 1988, $27,000,000; 1989, $17,000,000.

At December 31, 1984, unused commitments for long term financing amounted to $1,352,000,000 at interest rates varying with bank prime or money market rates, with commitment fees on $1,156,000,000 ranging from ⅛% to ¼%.

Unused lines of credit for short term financing, subject to customary right of review at any time, amounted to $972,000,000. Such borrowings are repayable on demand and at various maturities up to 365 days and interest rates vary with bank prime or money market rates.

16. Change in Accounting Policy

Effective January 1, 1984, Enterprises and its subsidiaries adopted prospectively the CICA recommendations on foreign currency translation. This change in accounting policy had the effect of reducing consolidated net income for the year ended December 31, 1984 by $16,000,000.

The major changes from the previous policy are as follows. Long term monetary assets and liabilities denominated in foreign currencies are translated at current rates, and unrealized gains and losses are amortized to income over the remaining lives of the related items. Previously these items were translated at historic rates and exchange differences were included in income when realized. The accounts of Enterprises' foreign subsidiaries, which are considered financially and operationally independent (self-sustaining), have been translated into Canadian dollars using the year end exchange rate for assets and liabilities and average rates in effect during the year for revenues and expenses; exchange gains or losses arising from translation are deferred and included under shareholders' equity as foreign currency translation adjustments. Previously, long term assets and liabilities of such companies were translated at historical rates and the exchange differences were included in income. Details of the 1984 foreign currency translation adjustments reported in shareholders' equity are noted below:

(in thousands)	1984
Cumulative unrealized gain on adoption of recommendations	$ 5,071
Effect of exchange rate changes for the year	19,847
Reduction in investment in subsidiaries	(4,210)
Balance, December 31	$20,708

17. Acquisition

In 1982, AMCA International acquired all of the outstanding common shares of Giddings & Lewis, Inc., a U.S. company engaged in the design, manufacture and sale of machine tools, machine tool accessories and industrial products. The total cost of the acquisition amounted to $389,982,000, of which $105,712,000 was provided from cash on hand and the balance from a bank loan. This acquisition was accounted for as a purchase and consolidated from the date of acquisition.

18. Supplementary Data

The discussion of Canadian and United States Accounting Principles included in Supplementary Data is an integral part of these financial statements.

19. Subsequent Event

In February 1985, Algoma Steel and Canadian Pacific Limited entered into a limited partnership arrangement in which Algoma is the general partner and CP Limited the sole limited partner. In exchange for tax benefits, CP Limited will provide funds sufficient for the completion of the tube mill, estimated at $150,000,000.

The following supplementary data are provided to comply with certain disclosure requirements of the Securities and Exchange Commission (SEC) of the United States, and recommendations of the Canadian Institute of Chartered Accountants.

Canadian and United States Accounting Principles

The consolidated financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles (GAAP) in Canada, as promulgated by the Canadian Institute of Chartered Accountants. Over the years, a number of differences have developed between the accounting principles generally accepted in Canada and in the United States. For the information of the Corporation's United States shareholders, the major differences are described below and their effect on the Corporation's net income is summarized; their effect on the balance sheet is not significant.

The full cost method of accounting for Oil and Gas as promulgated by the SEC differs from the method followed by the Corporation in a number of respects. The primary differences are that Canadian GAAP permits capitalization of overhead which the SEC requires to be expensed and that Canadian GAAP permits the use of a world-wide full cost pool whereas the SEC requires that the cost centres be established on a country-by-country basis.

The method of recording income from land sales and gains on sale of income properties in proportion to proceeds realized and the sinking fund method of providing depreciation followed by the Real Estate segment in accordance with Canadian GAAP are not acceptable methods under United States GAAP. If United States accounting principles had been followed, income from land sales and gains on sale of income properties would have been recorded in total in the years that the transactions occurred and the straight-line method of depreciation would have been used.

Canadian GAAP permits deferred income tax balances to be carried forward on the balance sheet of an acquired company after a change in control, while United States GAAP requires such balances to be eliminated. Accordingly, when CIP was acquired, its deferred income tax balances were carried forward and since CIP recorded a loss in 1983 and 1982, the tax benefit of the loss carry forward has been recognized to the extent permissible under Canadian GAAP, by reducing deferred income taxes.

Prior to 1984, Enterprises followed the Canadian practice of translating foreign currency denominated long term debt (excluding the current portion) at historic exchange rates, while United States GAAP requires such debt to be translated at current rates. Effective January 1, 1984, Enterprises changed its accounting policy in respect of foreign currency translation, as described in Note 16. Enterprises now follows the new Canadian practice of translating foreign currency denominated long term debt at current rates and, except for the local currency debt of foreign subsidiaries considered to be self-sustaining, the exchange differences arising are amortized to income over the remaining lives of the loans, while United States GAAP requires such differences to be charged to income in the period in which they arise.

(in thousands)	**1984**	1983	1982	1981	1980
Net Income—Canadian GAAP	**$307,126**	$ 94,301	$150,144	$404,600	$491,257
Increased or (decreased) by:					
Oil and Gas	**(12,700)**	(10,600)	(15,300)	(10,200)	(4,900)
Real Estate	**(9,100)**	(8,700)	(5,300)	(5,500)	(2,500)
Deferred Income Taxes	**9,300**	(30,200)	(52,700)	—	—
Foreign Exchange	**(17,800)**	(2,800)	(12,600)	6,000	(7,800)
	(30,300)	(52,300)	(85,900)	(9,700)	(15,200)
Net Income—United States GAAP	**$276,826**	$ 42,001	$ 64,244	$394,900	$476,057
Earnings per Common Share:					
Canadian GAAP	**$ 1.96**	$ 0.61	$ 1.05	$ 2.87	$ 3.63
United States GAAP	**1.76**	0.27	0.45	2.80	3.52

Oil & Gas Reporting

The following information on oil and gas producing activities was prepared in accordance with Financial Accounting Standards Board Statement No. 69. Enterprises' financial statements are prepared utilizing the full cost method of accounting applied on a world-wide cost centre basis, in accordance with Canadian generally accepted accounting principles instead of in accordance with SEC full cost accounting requirements.

Oil and Gas Production, Exploration and Development (Unaudited)

Capitalized Costs

(in thousands)	1984	1983
Conventional petroleum and natural gas properties	$2,152,068	$1,882,848
Accumulated depletion and depreciation	670,913	557,842
	1,481,155	1,325,006
Other—net	309,638	318,494
	$1,790,793	$1,643,500

Costs Incurred in Conventional Oil and Gas Activities

	Country (in thousands)	Property Acquisition	Exploration	Development
1984	Canada	$25,940	$124,021	$ 83,301
	United States	11,174	13,493	11,905
	Other	7	2,117	–
	Total	$37,121	$139,631	$ 95,206
1983	Canada	$21,406	$ 82,044	$ 77,247
	United States	8,072	14,275	7,962
	Other	45	1,881	–
	Total	$29,523	$ 98,200	$ 85,209
1982	Canada	$12,890	$ 62,959	$ 92,108
	United States	8,991	16,366	12,758
	Other	6	7,165	–
	Total	$21,887	$ 86,490	$104,866

Results of Operations for Producing Activities (Unaudited)

PanCanadian's conventional oil and gas producing activities may be summarized as follows:

	(in thousands)	Canada	United States	Total
1984	Gross operating revenue	$821,043	$26,618	$847,661
	Operating expenses	92,111	3,836	95,947
	Depreciation	35,023	1,130	36,153
		127,134	4,966	132,100
	Net operating revenue	$693,909	$21,652	715,561
	Depletion			77,066
	Income and revenue taxes			336,365
				413,431
	Income from operations			$302,130
1983	Gross operating revenue	$680,518	$19,818	$700,336
	Operating expenses	85,491	3,756	89,247
	Depreciation	27,619	1,071	28,690
		113,110	4,827	117,937
	Net operating revenue	$567,408	$14,991	582,399
	Depletion			59,634
	Income and revenue taxes			280,139
				339,773
	Income from operations			$242,626
1982	Gross operating revenue	$603,572	$17,611	$621,183
	Operating expenses	76,629	2,754	79,383
	Depreciation	23,008	1,027	24,035
		99,637	3,781	103,418
	Net operating revenue	$503,935	$13,830	517,765
	Depletion			53,713
	Income and revenue taxes			241,482
				295,195
	Income from operations			$222,570

The full cost method of accounting on a world-wide cost centre basis does not permit a meaningful segmentation of depletion. The income and revenue taxes relate to Canada only, as the United States operations are in a non-taxable position.

Oil and Gas Reserves (Unaudited)

PanCanadian's net proved reserves of conventional oil, natural gas and natural gas liquids as estimated by PanCanadian engineers are summarized below. "Net" reserves are the gross reserves underlying the properties in which PanCanadian has either a working interest, less all royalties and interests owned by others, or a royalty interest.

	Oil (including natural gas liquids) (thousands of barrels)			Gas (billion cubic feet)		
	Canada	United States	Total	Canada	United States	Total
Net proved reserves: December 31, 1981	103,791	678	104,469	2,456	17	2,473
Revisions of previous estimates	3,363	(5)	3,358	96	2	98
Extensions and discoveries	5,188	292	5,480	126	6	132
1982 Production	(12,244)	(218)	(12,462)	(113)	(2)	(115)
Net proved reserves: December 31, 1982	100,098	747	100,845	2,565	23	2,588
Revisions of previous estimates	7,717	92	7,809	138	(6)	132
Extensions and discoveries	9,264	490	9,754	116	5	121
1983 Production	(13,703)	(249)	(13,952)	(102)	(3)	(105)
Net proved reserves: December 31, 1983	103,376	1,080	104,456	2,717	19	2,736
Revisions of previous estimates	12,510	(268)	12,242	53	1	54
Extensions and discoveries	17,712	552	18,264	81	2	83
1984 Production	(15,579)	(380)	(15,959)	(120)	(4)	(124)
Net proved reserves: December 31, 1984	118,019	984	119,003	2,731	18	2,749

Proved reserves are those reserves which geological and engineering data demonstrate with reasonable certainty to be recoverable in the future at commercial production rates under present depletion methods and current operating conditions, prices and costs. Essentially all of PanCanadian's proved crude oil reserves are considered to be developed and recoverable through existing wells with existing facilities. In the case of PanCanadian's proved natural gas and associated liquids reserves, sufficient wells exist in most instances to meet required initial withdrawal rates from the respective reservoirs. As a result, the natural gas and natural gas liquids reserves are considered to be developed even though additional drilling will be required in certain cases to drain effectively the respective reservoirs in a desirable length of time.

Standardized Measure of Discounted Future Net Cash Flows (Unaudited)

The Financial Accounting Standards Board acknowledges that the standardized measure of discounted net cash flows cannot be considered an estimate of fair market value. The inclusion of this information should not be interpreted as indicating that Enterprises believes that valid inferences as to the probable measure of fair market value or future economic position can be derived therefrom.

The standardized measure of discounted future net cash flows is set forth below:

	(in thousands)	Canada	United States	Total
1984	Future cash inflows	$10,799,898	$112,928	$10,912,826
	Future production and development costs	2,368,884	22,392	2,391,276
	Future income tax expenses	3,200,187	–	3,200,187
	Future revenue tax expenses	1,130,006	–	1,130,006
	Future net cash flows	4,100,821	90,536	4,191,357
	10% annual discount for estimated timing of cash flows	2,046,599	32,136	2,078,735
	Standardized measure of discounted future net cash flows	$ 2,054,222	$ 58,400	$ 2,112,622
1983	Future cash inflows	$10,925,117	$116,878	$11,041,995
	Future production and development costs	2,862,877	25,713	2,888,590
	Future income tax expenses	2,931,840	–	2,931,840
	Future revenue tax expenses	1,162,600	–	1,162,600
	Future net cash flows	3,967,800	91,165	4,058,965
	10% annual discount for estimated timing of cash flows	2,153,365	30,676	2,184,041
	Standardized measure of discounted future net cash flows	$ 1,814,435	$ 60,489	$ 1,874,924

Future net cash flows were computed using year end prices and year end statutory tax rates (adjusted for permanent differences) that relate to existing proved oil and gas reserves.

Standardized Measure of Discounted Future Net Cash Flows (Unaudited) continued

The following table sets out the principal sources of change in the standardized measure of discounted future net cash flows:

(in thousands)	1984	1983	1982
Standardized measure of discounted future net cash flows at beginning of year	$1,874,924	$1,987,630	$2,411,374
Add:			
Additions to proved reserves net of capital and production costs	388,442	131,268	126,521
Expenditures that reduced estimated future development costs	7,403	19,164	83,210
Accretion of discount	354,649	368,526	520,567
Revisions of previous estimates	680,238	149,832	646,197
Net changes in income and revenue taxes	—	74,108	799,418
	1,430,732	742,898	2,175,913
Deduct:			
Net changes in prices and production costs	199,377	244,399	2,058,285
Sales of oil and gas produced, net of production costs and mineral taxes	751,993	611,205	541,372
Net changes in income and revenue taxes	241,664	—	—
	1,193,034	855,604	2,599,657
Standardized measure of discounted future net cash flows at end of year	$2,112,622	$1,874,924	$1,987,630

Taxation of United States Shareholders

Under the terms of Canadian tax legislation and the United States-Canada tax convention, taxable dividends paid to United States resident shareholders of Enterprises (other than tax exempt organizations) are subject to a Canadian withholding tax of 15%.

Generally, capital gains on the disposition by non-residents of securities issued by Enterprises are exempt from Canadian tax unless the securities are held in the conduct of a Canadian business.

Reporting the Effects of Changing Prices (Unaudited)

CICA Recommendations on Reporting the Effects of Changing Prices

The Canadian Institute of Chartered Accountants (CICA) has recommended that Canada's largest public companies produce supplementary information about the effects of changing prices. While Enterprises has decided to comply with the recommendations, the Corporation believes that application of the computational techniques prescribed by the CICA results in data that are of limited value.

The CICA itself concedes that application of its recommendations to oil and gas, mining and forest products operations is not always practicable and may not yield meaningful data. Furthermore, in recognition of the difficulties involved, the CICA decided that income producing real estate and insurance operations, among others, should be exempted from its recommendations. Consequently, the results and assets of Marathon Realty Company and Chateau Insurance Company are included at their historical cost amounts.

Information about the Effects of Changing Prices

In preparing information about the effects of changing prices on inventories and properties, it was assumed, in accordance with the CICA's recommendations, that the Corporation's level of operations existing at December 31, 1984, would be maintained through replacement with like assets at current prices. In reality, decisions regarding whether or not assets will be replaced and the manner of replacement will be made in the light of future economic, regulatory, technological and competitive conditions. It must not be assumed, therefore, that the Corporation's operating capability will be maintained in the form and manner assumed in developing the current cost data. Also, it must not be assumed that the CICA approach, which implies that assets are being renewed as they are consumed, reflects the Corporation's asset replacement policy. Assets, if they are to be replaced, will be replaced at intervals which may be lengthy and at a time when revenue levels are likely to support replacement costs.

The assumption that operating capability will be maintained is particularly questionable in the context of the Corporation's natural resource activities. Oil and gas wells and mines are unique in terms of location, ground conditions and potential and, when depleted they cannot be specifically replaced. Even if new reserves in existing quantities could be found, the current cost of finding such reserves would be difficult to determine.

It should be noted that, in accordance with the CICA's recommendations, income taxes as reported in the Corporation's historical cost financial statements have not been restated in computing income on a current cost basis. To call for hypothetical increases to depreciation, cost of goods sold and operating expenses resulting from inflation without giving recognition to a hypothetical reduction in income taxes may significantly overstate the impact of higher prices on an enterprise.

It should also be noted that the new CICA data were necessarily developed on the basis of assumptions and subjective estimates that are not verifiable and the adoption of different, but equally valid, assumptions could produce materially different results.

Reporting the Effects of Changing Prices (Unaudited) continued

Bases for Determining Current Costs

A variety of methods was used to determine the current cost of properties, including published indices, manufacturers' prices, appraisal values and engineering estimates. Because there is no generally accepted method for measuring the current cost of replacing existing oil and gas reserves, estimates of the current cost of petroleum and natural gas properties have been compiled by application of indices to historical costs. However, because the activities, and, therefore, the costs required to replace existing reserves are unpredictable, application of indices to historical costs results in current cost estimates that may be grossly misstated. The current cost of inventories was estimated based on current suppliers' prices, recent manufacturing costs and published price indices.

The 1983 comparative figures have been adjusted to 1984 dollars using the Consumer Price Index.

Statement of Consolidated Income on a Current Cost Basis Assuming Maintenance of Existing Operating Capability

	For the Year ended December 31	
(in thousands)	1984	1983
Income before extraordinary item	$307,126	$ 66,000
Adjustments to reflect changes in current costs:		
Cost of goods sold and operating expenses	63,000	30,000
Depreciation, depletion and amortization	354,000	351,000
Gains on disposal of properties	2,000	8,000
	419,000	389,000
Less: Outside shareholders' interest	143,000	133,000
	276,000	256,000
Income (Loss) on a current cost basis	31,126	(190,000)
Financing adjustment	140,000	107,000
Income (Loss) attributable to common shareholders on a current cost basis	$171,126	$ (83,000)
Note: The provision for income taxes of $325,622,000 (1983 - $103,911,000) has not been adjusted from the amount reflected in the Corporation's historical cost financial statements. If the adjustments to reflect changes in current cost were tax affected, the reduction in the Corporation's income tax expense would result in the net income attributable to common shareholders being approximately	$282,000	$ 25,000

The Corporation's income on a current cost basis for 1984, which has been prepared in accordance with, and which reflects the inherent limitations of the techniques prescribed by the CICA, is below historical cost income. This is primarily due to significantly higher charges ($354,000,000; 1983 - $351,000,000) for depreciation, depletion and amortization. Included in the higher depreciation charges, however, are estimated amounts totalling $159,000,000 (1983 - $170,000,000) for oil and gas and mining operations—activities for which the CICA recommendations have little relevance.

On the assumption that the Corporation will continue to use a combination of debt and equity to finance its operations, the financing adjustment provides a measure of the extent to which shareholders will be shielded from the higher costs of replacing inventories and properties. The CICA recommendations require that the financing adjustment, which reflects the portion of current cost increases financed through net borrowings, be shown on two bases. The adjustment of $140,000,000 (1983 - $107,000,000) which is reflected in the Corporation's current cost income attributable to common shareholders is based on the total increase in current costs during 1984. If the financing adjustment had been based on current cost adjustments to income, it would have amounted to $108,000,000 (1983 - $98,000,000).

Reporting the Effects of Changing Prices (Unaudited) continued

Schedule of Consolidated Assets on a Current Cost Basis

(in thousands)	1984 Historical Cost Basis	December 31 1984 Current Cost Basis	1983 Current Cost Basis
Inventories	$1,696,475	$ 1,736,000	$ 1,821,000
Properties (net)	8,025,765	12,815,000	12,842,000
Net Assets (common shareholders' equity)	3,178,558	6,557,000	6,466,000

Net assets on a current cost basis consist of common shareholders' equity on a historical cost basis, plus the difference (net of outside shareholders' interest) between the current and historical cost of inventories and properties.

Other Supplementary Information

(in thousands)	For the Year ended December 31 1984	1983
Increase in the current cost amounts of inventories and properties	$540,000	$ 428,000
Effect of general inflation	476,000	579,000
Excess (shortfall) of the effect of current cost over the increase in general inflation	$ 64,000	$(151,000)
Gain in general purchasing power from having net monetary liabilities	$190,000	$ 235,000

Included under Other Supplementary Information are additional data called for by the CICA. The increase in the current cost amounts of inventories and properties, less the effect of general inflation, indicates that during 1984 the value of the Corporation's assets, measured in current costs, increased at a greater rate than the rate of general inflation as measured by the Consumer Price Index.

The gain in general purchasing power from having net monetary liabilities represents the benefit to the Corporation from financing part of its operations with debt which, because of inflation, has declined in real terms.

Reporting the Effects of Changing Prices (Unaudited) continued

Reserve Data

The CICA requires certain quantity disclosures for companies with interests in mineral and oil and gas reserves. The disclosures covering oil and gas reserves are included as Supplementary Data under Oil and Gas Reporting.

Major Proven and Probable Ore Reserves
(in thousands of short tons)

	Dec. 31 1982	Changes During the Year: Production	Discoveries	Revisions	Dec. 31 1983	Changes During the Year: Production	Discoveries	Revisions	Dec. 31 1984
Cominco Ltd.									
Sullivan, Pine Point (69.1% owned), Polaris, Black Angel (62.5% owned) and Magmont Mines (50% owned)	**102,400**	(6,000)	12,200	(8,800)	**99,800**	(8,000)	10,000	(1,900)	**99,900**
Con-Rycon Mine	**2,100**	(209)	171	(162)	**1,900**	(244)	159	(115)	**1,700**
Buckhorn Mine	–	–	5,100	–	**5,100**	(194)	194	(2,000)	**3,100**
Valley Mine	**500,000**	(7,900)	–	16,900	**509,000**	(9,300)	116,300	–	**616,000**
Warm Springs Mine	**7,300**	(188)	588	–	**7,700**	(210)	110	–	**7,600**
Vade Mine	**155,000**	(3,353)	–	353	**152,000**	(3,800)	1,600	200	**150,000**
Fording Coal Limited									
Fording River Operations	**238,800**	(3,100)	–	1,300	**237,000**	(4,400)	–	6,300	**238,900**
Thermal Coal	**2,133,000**	(4,200)	–	(72,000)	**2,056,800**	(5,500)	–	(81,300)	**1,970,000**
The Algoma Steel Corporation, Limited									
Wawa Mine	**50,702**	(1,270)	–	(4,092)	**45,340**	(1,414)	–	56	**43,982**
Tilden Mine (30% owned)	**81,249**	(1,346)	–	–	**79,903**	(1,796)	–	–	**78,107**
Cannelton Mines									
Metallurgical Coal	**186,300**	(1,716)	–	225	**184,809**	(1,740)	–	(43,173)	**139,896**
Thermal Coal	**80,000**	(520)	–	(396)	**79,084**	(1,052)	–	17,225	**95,257**

The reserve and production quantities listed for the associated companies of Cominco represent the full amounts and not Cominco's share. The reserve and production quantities for the Tilden Mine represent Algoma's share only.

The reserve and production quantities included above for Cominco are stated in tons of ore, while the quantities for Algoma are stated in product tons of sinter (48% iron) and pellets (65% iron) at the Wawa and Tilden Mines respectively. The reserve and production quantities noted for Fording Coal, and Algoma's Cannelton Mines, are stated in short tons of cleaned coal.

Fording currently receives only a royalty from the production of its thermal coal reserves.

Total expenditures on exploration for minerals in the year 1984 amounted to $42,000,000.

Reporting the Effects of Changing Prices (Unaudited) continued

Mineral Content of Reserves and Production

		Minerals Contained in Reserves December 31 1984	1983	Production During Year (tons are short tons)	
Cominco Ltd.					
Sullivan, Pine Point, Polaris, Black Angel and Magmont Mines	Lead	4.0%	4.1%	380,800 tons	(concentrate)
	Zinc	7.6%	7.6%	833,400 tons	(concentrate)
	Silver (Sullivan and Black Angel only)	1 oz. per ton	1 oz. per ton		
Buckhorn Mine	Gold	0.04 oz. per ton	0.04 oz. per ton	3,100 oz.	
Con-Rycon Mine	Gold	0.42 oz. per ton	0.44 oz. per ton	89,100 oz.	
Valley Mine	Copper	0.47%	0.475%	41,700 tons	(contained metal)
Warm Springs Mine	P_2O_5	30.0%	30.0%	210,000 tons	(phosphate rock)
Vade Mine	K_2O	25.3%	25.3%	1,361,100 tons	(concentrate)

Supplementary Data

1984 Quarterly Financial Information (Unaudited)

(in thousands)	For the Three Months ended	March 31	June 30	September 30	December 31
Oil and Gas	Gross operating revenue	$270,939	$251,053	$244,643	$288,723
	Expenses including income and revenue taxes	193,865	179,864	178,541	203,059
		77,074	71,189	66,102	85,664
	Interest of outside shareholders	9,958	9,198	8,540	11,068
	Net income	67,116	61,991	57,562	74,596
Mines and Minerals	Gross operating revenue	460,040	527,177	471,938	445,426
	Expenses including income taxes	453,563	503,446	461,501	446,148
		6,477	23,731	10,437	(722)
	Interest of outside shareholders	4,185	11,643	7,207	309
	Net income	2,292	12,088	3,230	(1,031)
Forest Products	Sales and operating revenue	509,624	551,568	575,056	563,083
	Expenses including income taxes	539,109	557,726	575,848	528,715
		(29,485)	(6,158)	(792)	34,368
	Interest of outside shareholders	(3,452)	146	141	10,883
	Net income	(26,033)	(6,304)	(933)	23,485
Iron and Steel	Sales and operating revenue	736,527	802,891	725,013	753,196
	Expenses including income taxes	751,431	797,780	744,342	769,977
		(14,904)	5,111	(19,329)	(16,781)
	Interest of outside shareholders	(1,634)	7,870	(7,032)	(6,065)
	Net income	(13,270)	(2,759)	(12,297)	(10,716)
Real Estate	Gross rentals and other income	66,274	66,273	71,278	73,745
	Expenses including income taxes	61,986	58,232	60,663	68,913
		4,288	8,041	10,615	4,832
	Interest of outside shareholders	84	96	111	162
	Net income	4,204	7,945	10,504	4,670
Agriproducts	Gross operating revenue	290,759	331,021	288,222	348,656
	Expenses including income taxes	285,124	326,921	282,626	330,455
		5,635	4,100	5,596	18,201
	Interest of outside shareholders	558	587	755	784
	Net income	5,077	3,513	4,841	17,417
Other Businesses	Gross operating revenue	22,178	23,111	22,090	25,866
	Expenses including income taxes	20,495	20,918	20,460	22,208
	Net income	1,683	2,193	1,630	3,658
Financial	Gross operating revenue	35,261	38,364	39,234	40,087
	Expenses including income taxes	32,467	35,519	36,081	38,105
	Net income	2,794	2,845	3,153	1,982
Net Income		$ 43,863	$ 81,512	$ 67,690	$114,061
Earnings per Common Share	Net Income	28¢	53¢	42¢	73¢

Income in the fourth quarter of 1984 included tax related benefits arising from reorganizations in the forest products sector and from the elimination of a deferred tax balance in a U.S. agriproducts subsidiary owing to changes in U.S. tax laws.

1983 Quarterly Financial Information (Unaudited)

(in thousands)	For the Three Months ended	March 31	June 30	September 30	December 31
Oil and Gas	Gross operating revenue	$226,602	$207,823	$200,215	$249,747
	Expenses including income and revenue taxes	160,419	154,334	146,579	181,964
		66,183	53,489	53,636	67,783
	Interest of outside shareholders	8,551	6,911	6,929	8,758
	Net income	57,632	46,578	46,707	59,025
Mines and Minerals	Gross operating revenue	339,216	479,951	334,210	458,171
	Expenses including income taxes	356,443	485,254	352,719	455,393
		(17,227)	(5,303)	(18,509)	2,778
	Interest of outside shareholders	(8,172)	(1,149)	(6,116)	2,659
	Net income	(9,055)	(4,154)	(12,393)	119
Forest Products	Sales and operating revenue	400,333	462,761	480,542	488,541
	Expenses including income taxes	441,403	494,048	502,581	509,703
		(41,070)	(31,287)	(22,039)	(21,162)
	Interest of outside shareholders	(5,689)	(3,977)	(3,845)	(3,235)
	Net income	(35,381)	(27,310)	(18,194)	(17,927)
Iron and Steel	Sales and operating revenue	529,554	607,259	634,150	683,642
	Expenses including income taxes	560,571	646,243	679,944	733,081
		(31,017)	(38,984)	(45,794)	(49,439)
	Interest of outside shareholders	(9,994)	(16,198)	(20,254)	(25,362)
	Net income	(21,023)	(22,786)	(25,540)	(24,077)
Real Estate	Gross rentals and other income	66,636	62,544	72,333	72,570
	Expenses including income taxes	57,568	58,370	65,588	66,346
		9,068	4,174	6,745	6,224
	Interest of outside shareholders	82	96	101	71
	Net income	8,986	4,078	6,644	6,153
Agriproducts	Gross operating revenue	244,157	293,716	324,380	367,098
	Expenses including income taxes	241,696	288,970	317,352	358,184
		2,461	4,746	7,028	8,914
	Interest of outside shareholders	583	504	649	811
	Net income	1,878	4,242	6,379	8,103
Other Businesses	Gross operating revenue	70,976	87,755	100,303	63,876
	Expenses including income taxes	72,215	83,288	90,034	62,091
	Net income	(1,239)	4,467	10,269	1,785
Financial	Gross operating revenue	34,587	35,642	35,249	36,770
	Expenses including income taxes	32,297	34,015	33,556	33,480
	Net income	2,290	1,627	1,693	3,290
	Income before extraordinary item	4,088	6,742	15,565	36,471
	Extraordinary item	–	–	–	31,435
Net Income		$ 4,088	$ 6,742	$ 15,565	$ 67,906
Earnings per Common Share	Income before extraordinary item	3¢	4¢	10¢	24¢
	Net income	3¢	4¢	10¢	44¢

Five-Year Summary

(Figures in thousands, except amounts per share)	1984	1983	1982	1981	1980
Revenues	**$ 9,856,057**	$ 8,652,239	$ 8,494,663	$ 8,558,759	$6,659,250
Consolidated income					
Oil and gas	**$ 261,265**	$ 209,942	$ 200,864	$ 177,414	$ 210,182
Mines and minerals	**16,579**	(25,483)	(13,198)	37,662	98,638
Forest products	**(9,785)**	(98,812)	(97,344)	16,227	45,569
Iron and steel	**(39,042)**	(93,426)	(25,717)	93,586	61,206
Real estate	**27,323**	25,861	26,212	24,027	20,991
Agriproducts	**30,848**	20,602	16,620	19,938	9,674
Other businesses	**9,164**	15,282	15,268	16,866	11,802
Financial	**10,774**	8,900	27,439	18,880	33,195
Income before extraordinary item	**307,126**	62,866	150,144	404,600	491,257
Extraordinary item	–	31,435	–	–	–
Net Income	**$ 307,126**	$ 94,301	$ 150,144	$ 404,600	$ 491,257
Total assets	**$12,357,397**	$11,933,895	$12,017,478	$11,241,120	$8,496,146
Total long term debt	**$ 3,983,039**	$ 4,147,494	$ 4,137,928	$ 3,456,949	$2,027,113
Outside shareholders' interest in subsidiary companies	**1,731,068**	1,615,121	1,539,590	1,508,794	1,377,625
Shareholders' equity	**3,278,558**	2,965,827	2,984,282	2,760,662	2,498,562
Total capitalization	**$ 8,992,665**	$ 8,728,442	$ 8,661,800	$ 7,726,405	$5,903,300
Dividends					
Preferred Shares	**$ 3,666**	$ –	$ –	$ –	$ 22
Common Shares	**$ 123,430**	$ 123,007	$ 138,377	$ 157,932	$ 137,973
Number of Shares Outstanding					
Common–actual	**154,506**	153,941	153,474	141,356	140,661
–average	**154,262**	153,736	142,990	140,972	135,335
Preferred–actual	**5,000**	Nil	Nil	Nil	Nil
Per Common Share					
Income before extraordinary item	**$ 1.96**	$ 0.41	$ 1.05	$ 2.87	$ 3.63
Net income	**$ 1.96**	$ 0.61	$ 1.05	$ 2.87	$ 3.63
Dividends–paid quarterly	**$ 0.80**	$ 0.80	$ 0.96	$ 1.12	$ 1.005

Directors

M. Norman Anderson,
Chairman and Chief Executive Officer,
Cominco Ltd., Vancouver

F. S. Burbidge,*
Chairman and Chief Executive Officer,
Canadian Pacific Limited, Montreal

Robert W. Campbell,*
Chairman and Chief Executive Officer,
Canadian Pacific Enterprises Limited, Calgary

Paul Desmarais, O.C.,*
Chairman and Chief Executive Officer,
Power Corporation of Canada, Montreal

S. E. Eagles,*
President,
Canadian Pacific Enterprises Limited, Calgary

Thomas M. Galt,
Chairman and Chief Executive Officer,
Sun Life Assurance Company of Canada, Toronto

C. Merv Leitch, Q.C.,
Partner,
Macleod Dixon, Calgary

John Macnamara,
Chairman and Chief Executive Officer,
The Algoma Steel Corporation, Limited, Sault Ste. Marie

Angus A. MacNaughton,†
President and Chief Executive Officer,
Genstar Corporation, San Francisco

W. Earle McLaughlin,*†
Corporate Director,
Montreal

Paul A. Nepveu,
Corporate Director,
Montreal

The Hon. John L. Nichol, O.C.,
President,
Springfield Investment Co. Ltd., Vancouver

Paul L. Paré, O.C.,*
Chairman and Chief Executive Officer,
Imasco Limited, Montreal

Neil F. Phillips, Q.C.,†
Partner,
Phillips & Vineberg, Montreal

C. Douglas Reekie,*†
President and Chief Executive Officer,
CAE Industries Ltd., Toronto

R. D. Southern,
Deputy Chairman and Chief Executive Officer,
ATCO Ltd., Calgary

William W. Stinson,
President,
Canadian Pacific Limited, Montreal

Ray D. Wolfe, C.M.,*
Chairman and Chief Executive Officer,
The Oshawa Group Limited, Toronto

*Member of Executive Committee
†Member of Audit Committee

Officers

Robert W. Campbell,
Chairman and Chief Executive Officer,
Calgary

S. E. Eagles,
President,
Calgary

L. T. Beare,
Vice-President and General Counsel, Calgary

J. F. Hankinson,
Vice-President Finance and Accounting, Calgary

G. S. MacLean,
Vice-President Administration and Secretary, Calgary

R. A. Norris,
Comptroller, Calgary

B. J. Zafirian,
Treasurer, Toronto

Directorate

The Directors desire to record their sincere appreciation for the distinctive leadership and direction given by the Honourable Ian D. Sinclair, O.C., Q.C. to the affairs of the Corporation since its incorporation in 1962. Senator Sinclair served as an Officer and a Director of the Corporation from its foundation until his retirement at the Annual Meeting in 1984.

On April 27, 1984, Mr. Paul Desmarais, O.C., was elected as a director of the Corporation to fill the vacancy created by Senator Sinclair's retirement.

Principal Subsidiary Companies

***PanCanadian Petroleum Limited**
Bartlett B. Rombough, President
PanCanadian Plaza
P.O. Box 2850
Calgary, Alberta
T2P 2S5

***Cominco Ltd.**
M. N. Anderson, Chairman
200 Granville Square
Vancouver, British Columbia
V6C 2R2

Fording Coal Limited
J. H. Morrish, President
Natural Resources Building
205-9th Avenue S.E.
Calgary, Alberta
T2G 0R4

***Steep Rock Resources Inc.**
P. M. Nixon, Chairman
40 University Avenue
Toronto, Ontario
M5J 2G5

CIP Inc.
C. S. Flenniken, Chairman
1155 Metcalfe Street
1416 Sun Life Building
Montreal, Quebec
H3B 2X1

***Great Lakes Forest Products Limited**
C. J. Carter, Chairman and President
P.O. Box 430
Thunder Bay, Ontario
P7C 4W3

***The Algoma Steel Corporation, Limited**
John Macnamara, Chairman
503 Queen Street East
Sault Ste. Marie, Ontario
P6A 5P2

***AMCA International Limited**
K. S. Barclay, Chairman and President
200 Ronson Drive, Suite 607
Rexdale, Ontario
M9W 5Z9

***Marathon Realty Company Limited**
D. King, President
Suite 1100, University Place
123 Front Street West
Toronto, Ontario
M5J 2M2

***Maple Leaf Mills Limited**
R. S. DeMone, President
P.O. Box 710
Station "K"
Toronto, Ontario
M4P 2X5

Canadian Pacific Enterprises (U.S.) Inc.
C. D. Amond, President
Suite 1550, One Lincoln Center
Syracuse, New York 13221
U.S.A.

Syracuse China Corporation
C. S. Goodman, President
2900 Court Street
P.O. Box 4820
Syracuse, New York 13221
U.S.A.

Processed Minerals Incorporated
J. David, Chairman
1800 Carey Blvd.
P.O. Box 459
Hutchinson, Kansas 67501
U.S.A.

***Canadian Pacific Securities Limited**
J. F. Hankinson, Chairman
Suite 800, University Place
123 Front Street West
Toronto, Ontario
M5J 2M2

Chateau Insurance Company
R. J. McCormick, President
Suite 2900
2300 Yonge Street
Toronto, Ontario
M4P 2X3

*A copy of the 1984 annual report of this company can be obtained by writing to its Secretary at the address above.

Common Share Market Prices

	Montreal and Toronto Stock Exchanges				New York Stock Exchange			
	1984		1983		**1984**		1983	
	High	Low	High	Low	High	Low	High	Low
First Quarter	**$25½**	**$20⅞**	$22¾	$17½	**U.S. $20⅛**	**U.S. $16⅜**	U.S. $18⅜	U.S. $14⅛
Second Quarter	**23⅛**	**19**	25¾	21½	**17¼**	**15**	20⅝	17¼
Third Quarter	**24¼**	**18⅝**	25⅞	20¾	**18¼**	**14¼**	20⅞	17⅛
Fourth Quarter	**25⅛**	**22⅜**	24½	20¾	**19⅛**	**16⅞**	19½	16½
Year	**25½**	**18⅝**	25⅞	17½	**20⅛**	**14¼**	20⅞	14⅛

Common Share Listings

Canada—Alberta, Montreal, Toronto and Vancouver Stock Exchanges
United States—New York Stock Exchange
Europe—London, England and Amsterdam, The Netherlands

Transfer Agents and Registrars

Montreal Trust Company, Calgary, Montreal, Toronto, Winnipeg, Regina and Vancouver.
Morgan Guaranty Trust Company of New York, New York, New York.
The Royal Trust Company, London, England.

Common Share Holdings December 31, 1984

Common shares outstanding 154,505,743, of which 107,941,718 were owned by Canadian Pacific Limited and the remainder by 29,167 shareholders, of whom 96.4% were Canadian registrants.

Form 10-K

A copy of the Corporation's Form 10-K filed with the Securities and Exchange Commission will be provided without charge on written application to the Vice-President Administration and Secretary, at the Corporation's Registered Office.

Registered Office

Suite 2300, One Palliser Square,
125 - 9th Avenue S.E., Calgary,
Alberta, Canada T2G 0P6

Geographic Distribution of Net Property Investment

At December 31, 1984

		Properties at Cost, less Depreciation (millions)	Percent of Total
Canada	Atlantic Provinces	$ 274	4%
	Quebec	796	10
	Ontario	2,115	26
	Manitoba and Saskatchewan	222	3
	Alberta	1,692	21
	B.C.	1,396	17
	N.W.T., Yukon and Offshore	347	4
		6,842	85
Outside Canada	United States	1,101	14
	Other	83	1
		1,184	15
Total		$8,026	100%

Version française

Si vous désirez vous procurer la version française du présent rapport, veuillez vous adresser au vice-président, Administration et secrétaire, Les Entreprises Canadien Pacifique Limitée, Suite 2300, 125 - 9th Avenue S.E., Calgary, Alberta T2G 0P6.

Canadian
Pacific
Enterprises
Limited

Suite 2300, One Palliser Square,
125 - 9th Avenue S.E.,
Calgary, Alberta
T2G 0P6

Printed in Canada

CanadianPacific**Enterprises**Limited

Notice of Annual Meeting of Shareholders

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Canadian Pacific Enterprises Limited will be held in The Palliser Hotel, Calgary, Alberta, on Friday, April 26, 1985, at 11:00 a.m. (Calgary time), for the following purposes:

(a) to receive the Report of the Directors, accompanying Consolidated Financial Statements and Report of the Auditors thereon, for the year ended December 31, 1984;

(b) to elect directors;

(c) to appoint the auditors and to authorize the Board of Directors to fix their remuneration;

(d) to transact such other business as may properly come before the meeting.

The Board of Directors has, by resolution, fixed the time before which proxies to be used at the Annual Meeting of Shareholders or any adjournment thereof must be deposited at Calgary, Alberta, Canada, with the Corporation or the Montreal Trust Company as Agent for the Corporation, at twenty-four hours, excluding Saturdays and holidays, preceding the Annual Meeting or any adjournment thereof.

BY ORDER OF THE BOARD OF DIRECTORS,

G. S. MacLean,
Vice-President Administration
and Secretary.

Calgary, Alberta, Canada, March 1, 1985.

NOTE:

If you are unable to attend the meeting in person, please complete and return the enclosed form of proxy.

CanadianPacific**Enterprises**Limited

Registered Office: Suite 2300, One Palliser Square,
125 - 9th Avenue S.E., Calgary, Alberta, Canada T2G 0P6

Proxy Statement for Annual Meeting of Shareholders, Friday, April 26, 1985

Approximate Date Proxy Material First Sent to Shareholders: March 21, 1985

Solicitation of Proxies

This Proxy Statement is furnished in connection with the solicitation by the management of Canadian Pacific Enterprises Limited of proxies for use at the Annual Meeting of Shareholders of the Corporation to be held at the time and place and for the purposes set forth in the foregoing notice of meeting or any adjournment thereof. The total cost of solicitation will be borne by the Corporation.

Appointment of Proxyholders and Revocation of Proxies

At all meetings of shareholders of the Corporation every shareholder is entitled to one vote for each common share then held and such vote may be given in person or by proxy whether or not the proxyholder appointed by such proxy is a shareholder.

A shareholder giving a proxy has the right under subsection 142(4) of the *Canada Business Corporations Act* to revoke the proxy (1) by instrument in writing executed by the shareholder or by the shareholder's attorney authorized in writing and deposited either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the chairman of the meeting on the day of the meeting, or any adjournment thereof or (2) in any other manner permitted by law.

Voting Securities and Principal Holders Thereof

On March 1, 1985, there were 154,655,015 Common Shares outstanding, each carrying one vote. The Corporation has fixed the close of business on Friday, March 15, 1985, as the record date for the purpose of determining shareholders entitled to receive notice of the meeting but, in accordance with the *Canada Business Corporations Act,* subsection 129(2), the failure of any shareholder of the Corporation to receive a notice of a meeting of shareholders of the Corporation does not deprive the shareholder of a vote at the meeting. In accordance with subsection 132(2) of the *Canada Business Corporations Act,* if a person has acquired shares after the record date, that person is entitled to vote those shares at the meeting upon producing properly endorsed share certificates, or otherwise establishing share ownership, and demanding the inclusion of his/her name in the list of shareholders not later than 10 days before the date of the meeting.

Voting Securities and Principal Holders Thereof (continued)

As of March 1, 1985, Canadian Pacific Limited (CPL) was the only person who was known to the Corporation to be the beneficial owner of more than 5% of any class of its voting securities. Information concerning such beneficial ownership by CPL is set forth in the following table:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Shares	Canadian Pacific Limited 910 Peel Street Montreal, Canada H3C 3E4	107,941,718 shares. Sole voting and investment power	69.80

CPL is engaged in various transportation activities including the operation, primarily in Canada, of CP Rail. CP Rail is a significant customer of The Algoma Steel Corporation, Limited (Algoma), a 61.2% owned subsidiary of the Corporation, and purchased, at published prices, $42,000,000 of rail and other steel products in 1984. CPL owns significant real estate not used for transportation purposes, the substantial part of which is managed by Marathon Realty Company Limited (Marathon), a wholly-owned subsidiary of the Corporation. Marathon also provides real estate tax services for all of CPL's real estate. Such management and tax services are provided pursuant to an agreement under which CPL paid Marathon $2,600,000 in 1984. Other transactions between CPL and the Corporation's subsidiaries represent transportation and communications services rendered under published tariffs (e.g., the shipping of goods by the Corporation's subsidiaries on CP Rail), or are insignificant. In addition, the Corporation and CPL provide each other with certain corporate staff services at cost.

Except for the shares deemed to be beneficially owned by Mr. Paul Desmarais, O.C. (see footnote (1) on page 8), the directors and officers of the Corporation as a group as of March 1, 1985, were the beneficial owners of less than 0.05% of the common shares of the Corporation or of any class of equity securities of CPL (excluding directors' qualifying shares) and were the beneficial owners of less than 0.50% of any class of equity securities of any subsidiary of the Corporation.

Voting Shares as Specified

Shares represented by properly executed proxies in favour of the persons designated in the printed portion of the enclosed form of proxy will be voted or withheld from voting on any ballot that may be called for and, where the shareholder specifies a choice with respect to any matter to be acted upon, such shares will be voted in accordance with any specification so made. **IN THE ABSENCE OF SUCH SPECIFICATION, SUCH SHARES WILL BE VOTED FOR THE ELECTION OF DIRECTORS, THE APPOINTMENT OF AUDITORS AND THE GRANTING OF AUTHORITY TO THE BOARD OF DIRECTORS TO FIX THE AUDITORS' REMUNERATION.**

Exercise of Discretion by Proxyholders

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting and with respect to other matters which may properly come before the meeting. At the date of this Proxy Statement, the management of the Corporation knows of no such amendments, variations or other matters to come before the meeting.

Election of Directors

The Board of Directors consists of 18 directors. Each director elected will hold office until the next Annual Meeting of Shareholders and until his successor is duly elected. The persons listed below, except Mr. Claude Pratte, Q.C., who is not now a director, will retire as directors at the forthcoming Annual Meeting of Shareholders on April 26, 1985, and they are eligible and will be nominated for re-election as directors. The management does not contemplate that any of the nominees will be unable to serve as directors but, if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Information as of March 1, 1985, as to the 18 nominees is as follows:

Election of Directors (continued)

Name of nominee, age, and offices held in the Corporation (For committee memberships and meeting attendance, see footnotes page 7)	Major offices held in significant affiliates	Principal occupation or employment	Director since	Number of shares of the Corporation, its subsidiaries and/or Canadian Pacific Limited beneficially owned or over which control or direction is exercised	Certain other directorships and relationships required to be reported by the U.S. Securities and Exchange Commission (See footnotes page 7)
M. Norman Anderson, 54	Chairman and Chief Executive Officer and Director—Cominco Ltd.	Chairman and Chief Executive Officer, Cominco Ltd., Vancouver, a subsidiary company, engaged in mining, metals, chemicals and fertilizers.	1980	1,000 Common Shares C.P. Enterprises Limited 17,961 Common Shares Cominco Ltd. (includes 3,447 shares held by a trustee pursuant to the Stock Savings and Purchase Plan and the Retirement Income Savings Plan of Cominco Ltd.) 1,000 Ordinary Shares C.P. Limited	Director of [1] Gulf Canada Limited
F. S. Burbidge, 66 ① ③	Chairman and Chief Executive Officer and Director—Canadian Pacific Limited; Director—AMCA International Limited, Cominco Ltd., Marathon Realty Company Limited, PanCanadian Petroleum Limited and Soo Line Corporation	Chairman and Chief Executive Officer, Canadian Pacific Limited, Montreal, the parent company.	1972	4,783 Common Shares C.P. Enterprises Limited 500 Common Shares AMCA International Limited 630 Common Shares Cominco Ltd. 400 Common Shares PanCanadian Petroleum Limited 6,665 Ordinary Shares C.P. Limited	Director of [1] Canadian Pacific Limited [1] Soo Line Corporation [1] AMCA International Limited
Robert W. Campbell, 62 Chairman and Chief Executive Officer ① ③	Chairman of the Board and Director—PanCanadian Petroleum Limited; Director—The Algoma Steel Corporation, Limited, AMCA International Limited, Canadian Pacific Limited, Cominco Ltd. and Great Lakes Forest Products Limited	Chairman and Chief Executive Officer, Canadian Pacific Enterprises Limited, Calgary.	1973	505 Common Shares C.P. Enterprises Limited 101 Common Shares The Algoma Steel Corporation, Limited 250 Common Shares AMCA International Limited 330 Common Shares Cominco Ltd. 100 Common Shares Great Lakes Forest Products Limited 13,760 Common Shares PanCanadian Petroleum Limited 2,000 Ordinary Shares C.P. Limited	Director of [1] Canadian Pacific Limited [1] AMCA International Limited [1] Westinghouse Electric Corporation

Election of Directors (continued)

Name of nominee, age, and offices held in the Corporation (For committee memberships and meeting attendance, see footnotes page 7)	Major offices held in significant affiliates	Principal occupation or employment	Director since	Number of shares of the Corporation, its subsidiaries and/or Canadian Pacific Limited beneficially owned or over which control or direction is exercised	Certain other directorships and relationships required to be reported by the U.S. Securities and Exchange Commission (See footnotes page 7)
*Paul Desmarais, O.C., 58 ① ③	Director—Canadian Pacific Limited	Chairman and Chief Executive Officer, Power Corporation of Canada, Montreal, a holding and management corporation.	1984	1,000 Common Shares C.P. Enterprises Limited 2,000 Ordinary Shares C.P. Limited (For list of holdings deemed to be beneficially owned by Mr. Desmarais, see footnote (1) page 8)	Director of ☐ Canadian Pacific Limited ☐ The Seagram Company Ltd.
S. E. Eagles, 55 President ①	Chairman and Director—Marathon Realty Company Limited; Director—AMCA International Limited, The Algoma Steel Corporation, Limited, CIP Inc., Cominco Ltd., Maple Leaf Mills Limited and PanCanadian Petroleum Limited	President, Canadian Pacific Enterprises Limited, Calgary.	1983	2,000 Common Shares C.P. Enterprises Limited 101 Common Shares The Algoma Steel Corporation, Limited 100 Common Shares AMCA International Limited 4,000 \$2.00 Tax Deferred Exchangeable Pfd. Shares Series A, Cominco Ltd. 2,400 Common Shares PanCanadian Petroleum Limited	Director of ☐ AMCA International Limited ☐ Maple Leaf Mills Limited
*Thomas M. Galt, 63 ④	Nil	Chairman and Chief Executive Officer, Sun Life Assurance Company of Canada, Toronto.	1980	1,126 Common Shares C.P. Enterprises Limited 1,000 Ordinary Shares C.P. Limited	Nil
C. Merv Leitch, Q.C., 59	Nil	Partner, Law Firm of Macleod Dixon, Calgary.	1983	100 Common Shares C.P. Enterprises Limited	Director of ☐ Chieftain Development Co. Ltd.

Election of Directors (continued)

Name of nominee, age, and offices held in the Corporation (For committee memberships and meeting attendance, see footnotes page 7)	Major offices held in significant affiliates	Principal occupation or employment	Director since	Number of shares of the Corporation, its subsidiaries and/or Canadian Pacific Limited beneficially owned or over which control or direction is exercised	Certain other directorships and relationships required to be reported by the U.S. Securities and Exchange Commission (See footnotes page 7)
John Macnamara, 59	Chairman and Chief Executive Officer and Director—The Algoma Steel Corporation, Limited; Director—AMCA International Limited	Chairman and Chief Executive Officer, The Algoma Steel Corporation, Limited, Sault Ste. Marie, a subsidiary company, a fully integrated iron and steel production company.	1975	486 Common Shares C.P. Enterprises Limited 1,046 Common Shares The Algoma Steel Corporation, Limited 2,000 $2.00 Cumulative Redeemable Convertible Class B Preference Shares Series 1 The Algoma Steel Corporation, Limited 100 Common Shares AMCA International Limited	Director of [1] AMCA International Limited
Angus A. MacNaughton, 53 (2)	Nil	President and Chief Executive Officer, Genstar Corporation, San Francisco, engaged in diversified industrial operations.	1975	2,000 Common Shares C.P. Enterprises Limited 12,000 Common Shares PanCanadian Petroleum Limited	Director of [1] Genstar Corporation
W. Earle McLaughlin, 69 (1) (2) (3) (4)	Director—The Algoma Steel Corporation, Limited and Canadian Pacific Limited	Corporate Director, Montreal.	1979	19,864 Common Shares C.P. Enterprises Limited 245 Common Shares The Algoma Steel Corporation, Limited 1,000 $2.00 Cumulative Redeemable Convertible Class B Preference Shares Series 1 The Algoma Steel Corporation, Limited 500 Common Shares AMCA International Limited 5,000 Ordinary Shares C.P. Limited	Director of [1] Canadian Pacific Limited [1] General Motors Corporation [1] Genstar Corporation [1] Nabisco Brands, Inc.
Paul A. Nepveu, 68	Director—The Algoma Steel Corporation, Limited, CIP Inc. and Cominco Ltd.	Corporate Director, Montreal.	1979	2,019 Common Shares C.P. Enterprises Limited 122 Common Shares The Algoma Steel Corporation, Limited 330 Common Shares Cominco Ltd. 500 $2.00 Tax Deferred Exchangeable Pfd. Shares Series A, Cominco Ltd. 125 Common Shares Great Lakes Forest Products Limited 400 Common Shares PanCanadian Petroleum Limited 250 Ordinary Shares C.P. Limited	Nil

Election of Directors (continued)

Name of nominee, age, and offices held in the Corporation (For committee memberships and meeting attendance, see footnotes page 7)	Major offices held in significant affiliates	Principal occupation or employment	Director since	Number of shares of the Corporation, its subsidiaries and/or Canadian Pacific Limited beneficially owned or over which control or direction is exercised	Certain other directorships and relationships required to be reported by the U.S. Securities and Exchange Commission (See footnotes page 7)
The Hon. John L. Nichol, O.C., 61	Nil	President of a private investment company, Vancouver.	1981	1,500 Ordinary Shares C.P. Limited	Director of ☐1 Alcan Aluminium Limited ☐1 Aluminum Company of Canada, Ltd. ☐ Placer Development Limited
* Paul L. Paré, O.C., 62 ① ③ ④	Director—Canadian Pacific Limited and CIP Inc.	Chairman and Chief Executive Officer, Imasco Limited, Montreal, a parent operating company with tobacco, food services, and retail divisions.	1974	4,000 Common Shares C.P. Enterprises Limited 2,000 Ordinary Shares C.P. Limited	Director of ☐ Canadian Pacific Limited ☐ Canadian Fund Inc.
Claude Pratte, Q.C., 60	Director—Canadian Pacific Limited and CIP Inc.	Partner, Law Firm of Stein, Monast, Pratte & Marseille, Quebec.		110,000 Common Shares C.P. Enterprises Limited 323 Common Shares The Algoma Steel Corporation, Limited 330 Common Shares AMCA International Limited 13,167 Ordinary Shares C.P. Limited	Director of ☐1 Canadian Pacific Limited
C. Douglas Reekie, 60 ① ② ③	Director—AMCA International Limited and Marathon Realty Company Limited	President and Chief Executive Officer, CAE Industries Ltd., Toronto, a holding and management company.	1979	1,383 Common Shares C.P. Enterprises Limited 2,000 \$2.00 Tax Deferred Exchangeable Pfd. Shares Series A, Cominco Ltd. 1,500 Common Shares PanCanadian Petroleum Limited 2,000 Ordinary Shares C.P. Limited	Director of ☐1 AMCA International Limited
* R. D. Southern, 54	Nil	Deputy Chairman and Chief Executive Officer, ATCO Ltd., Calgary, a holding company for a worldwide group of companies engaged primarily in energy and resource-related industries.	1974	9,000 Common Shares C.P. Enterprises Limited (includes 7,000 shares owned by Sentgraf Enterprises Ltd. in which Mr. Southern owns 60% of the equity shares)	Nil

Election of Directors (continued)

Name of nominee, age, and offices held in the Corporation (For committee memberships and meeting attendance, see footnotes below)	Major offices held in significant affiliates	Principal occupation or employment	Director since	Number of shares of the Corporation, its subsidiaries and/or Canadian Pacific Limited beneficially owned or over which control or direction is exercised	Certain other directorships and relationships required to be reported by the U.S. Securities and Exchange Commission (See footnotes below)
William W. Stinson, 51	President and Director —Canadian Pacific Limited; Director— Cominco Ltd., Great Lakes Forest Products Limited, Marathon Realty Company Limited, PanCanadian Petroleum Limited and Soo Line Corporation	President, Canadian Pacific Limited, Montreal, the parent company.	1982	837 Common Shares C.P. Enterprises Limited 300 Common Shares Cominco Ltd. 100 Common Shares Great Lakes Forest Products Limited 100 Common Shares PanCanadian Petroleum Limited 3,630 Ordinary Shares C.P. Limited	Director of 1 Canadian Pacific Limited 1 Soo Line Corporation
Ray D. Wolfe, C.M., 67 ① ③	Director—Canadian Pacific Limited	Chairman and Chief Executive Officer, The Oshawa Group Limited, Toronto, engaged in the merchandising of food, non-food and drugs.	1982	10,000 Common Shares C.P. Enterprises Limited 7,911 Ordinary Shares C.P. Limited (includes 1,500 shares owned by a Canadian registered charitable foundation of which Mr. Wolfe is a director, as to which he disclaims beneficial ownership)	Director of 1 The Bank of Nova Scotia 1 Canadian Pacific Limited

Footnotes

Committee members are identified in the first column as follows	Committee	Number of meetings in 1984
①	Executive	7
②	Audit	2
③	Nominating	0
④	Compensation	2

The Board of Directors held 9 meetings in 1984.

* attended fewer than 75% of Board and Committee meetings on which he served

All directors have been associated with the company or firm shown during the past 5 years except Mr. Robert W. Campbell, who became Vice-Chairman of the Corporation on February 5, 1982, Vice-Chairman and Chief Executive Officer on April 29, 1982 and Chairman and Chief Executive Officer on April 27, 1984 and, for more than 5 years prior thereto, was Chairman and Chief Executive Officer of PanCanadian Petroleum Limited, a subsidiary of the Corporation; Mr. S. E. Eagles, who became President of the Corporation on July 1, 1983 and, prior thereto, for more than 5 years was Chairman and President of Marathon Realty Company Limited, a subsidiary of the Corporation; Mr. C. Merv Leitch, Q.C., who was Minister of Energy and Natural Resources, Government of Alberta since March, 1979 until his resignation in November, 1982 and, prior thereto, was Provincial Treasurer, Government of Alberta from April, 1975; Mr. W. Earle McLaughlin, who was Chairman of the Board from January, 1979 to September, 1980 and, prior thereto, was Chairman and Chief Executive Officer of a Canadian chartered bank; and Mr. Paul A. Nepveu who was Chairman of the Board, CIP Inc., a subsidiary of the Corporation, from October 1, 1981 to April 23, 1984, Corporate Consultant to the Corporation from May 1, 1981 to December 31, 1981 and Vice-Chairman of the Corporation from April 30, 1979 to May 1, 1981.

1 Subject to requirements of Sections 12 or 15 (d) of the United States Securities Exchange Act of 1934.
☐ Registered as an investment company under the United States Investment Company Act of 1940.

Footnotes (continued)

(1) Mr. Paul Desmarais, O.C., is Chairman and Chief Executive Officer of Power Corporation of Canada (Power).

At March 1, 1985, Power owned directly 3,368,200 Ordinary Shares of Canadian Pacific Limited (CPL), or 4.70% of the class, and as to which Power is deemed to have sole voting and investment powers and of which it is deemed to be the beneficial owner under regulations of the United States Securities and Exchange Commission. At the same date, Power controlled or had substantial interests in companies which owned or held or controlled 615,800 Ordinary Shares of CPL, or 0.86% of the class, and 45,000 Common Shares of the Corporation, or 0.03% of the class, as to which Power is deemed under such regulations to have sole voting and investment powers and of which it is deemed to be the beneficial owner, and 4,167,774 Ordinary Shares of CPL, or 5.82% of the class, and 1,609,289 Common Shares or 1.04% of the class of the Corporation, as to which Power is deemed to share voting and investment powers and of which it is also deemed to be the beneficial owner. At the same date, companies which Power controlled or in which it had substantial interests also owned or held or controlled shares in subsidiaries of the Corporation, as to which Power is deemed to share voting and investment powers and of which it is deemed to be the beneficial owner, as follows:

Canadian Pacific Enterprises Limited Subsidiary	Common Shares	Percent of Class
The Algoma Steel Corporation, Limited	1,470,183	10.22
AMCA International Limited	1,246,802	3.75
Cominco Ltd.	3,097,308	4.82
Pine Point Mines Limited	107,485	2.38
Vestgron Mines Limited	95,522	2.26
Great Lakes Forest Products Limited	155,825	3.22
Corporate Foods Limited	51,000	1.63
Eastern Bakeries Limited	5,420	0.49
PanCanadian Petroleum Limited	829,900	0.66
Steep Rock Resources Inc.	255	—

Except for the 3,368,200 shares of CPL owned directly by Power, the boards of directors of the companies which Power controls or in which it has substantial interests in fact exercise sole voting and investment powers with respect to the shares of CPL, the Corporation and its subsidiaries owned or held or controlled by them, and Power disclaims beneficial ownership of any shares not owned by it directly.

Mr. Paul Desmarais, O.C., a director of the Corporation, is deemed under regulations of the United States Securities and Exchange Commission to be the beneficial owner of all shares of CPL, the Corporation and its subsidiaries of which Power is deemed to be the beneficial owner; Mr. Desmarais disclaims beneficial ownership of any shares not owned by Power directly.

Other Information

The Board of Directors has a number of Committees including the Audit Committee, the Nominating Committee and the Compensation Committee.

The Audit Committee reviews the scope of the auditors' examinations and financial reporting. It meets with appropriate management, financial personnel, internal auditors and independent shareholder auditors in connection with these reviews. This Committee recommends to the Board the name of the shareholder auditors, subject to appointment by the shareholders at the Annual Meeting, to serve as auditors for the following year in examining the accounts of the Corporation. The shareholder auditors meet alone with the Audit Committee and have free access to the Committee at any time.

Other Information (continued)

The Nominating Committee considers and recommends the slate of candidates to the Board as nominees for election at the Annual Meeting or to fill any vacancy occurring on the Board of Directors, or any Committee thereof, however caused. The Committee will consider nominees recommended by shareholders and such recommendations may be forwarded to the Vice-President Administration and Secretary at the address shown for the registered office of the Corporation appearing on page 1 of this Proxy Statement.

The Compensation Committee considers and recommends to the Board the level of fees to be paid to directors and members of the Committees of the Board; the levels of salaries to be paid to senior officers and compensation or other such plans in which directors or senior officers are or may be eligible to participate. It also monitors benefits under compensation or other such plans and deals with other matters as directed by the Board from time to time.

Meetings of the Board of Directors are normally held 7 times per year.

Executive Compensation

The following table shows all compensation paid in 1984 (or to be paid in respect of 1984) by the Corporation and its subsidiaries to each of the 6 most highly compensated, key policy making executive officers of the Corporation and to all executive officers as a group, in accordance with U.S. Securities and Exchange Commission requirements:

Name of individual or number in group	Capacities in which served	Cash Compensation
Robert W. Campbell	Chairman and Chief Executive Officer of the Corporation and director and officer of certain subsidiaries	$ 543,884
S. E. Eagles	President of the Corporation and director and officer of certain subsidiaries	321,281
John Macnamara	Chairman and Chief Executive Officer, Algoma and director of the Corporation and of certain subsidiaries	316,837
M. Norman Anderson	Chairman and Chief Executive Officer, Cominco Ltd. and director of the Corporation and of certain subsidiaries	292,155
C. S. Flenniken	Chairman, President and Chief Executive Officer, CIP Inc.	266,298
B. B. Rombough	President and Chief Executive Officer, PanCanadian Petroleum Limited	254,817
All executive officers as a group (including 6 named: 14)		$3,212,781

Executive Compensation (continued)

Pursuant to an agreement with the Corporation, Mr. Robert W. Campbell is to receive, after age 65 or such other retirement date mutually acceptable to both parties, an amount equal to 66-2/3% of the average monthly salary during the 5 years immediately preceding his retirement or, if such period of employment is less than 5 years, his entire period of employment with the Corporation, less, in both cases, any benefits received from pension plans of previous employers. These monthly payments shall be made to Mr. Campbell so long as he shall hold himself reasonably available to consult with the Corporation in an advisory capacity and has not accepted employment with certain firms or corporations competing with the Corporation or its affiliates. Pursuant to a supplemental agreement with PanCanadian Petroleum Limited, a previous employer of Mr. Campbell, PanCanadian will reimburse the Corporation for 40% of any post retirement payments paid to Mr. Campbell under the terms of the first mentioned agreement.

Mr. Eagles and certain other executive officers included in the group but not named above participate in the Subsidiary Companies Pension Plan which is a contributory defined benefit plan pursuant to which pensions are paid to eligible officers and employees of the Corporation and its subsidiaries at retirement based on pensionable earnings during the last 5 years prior to retirement or any other consecutive 5 calendar years selected by the retiree. Normal retirement age is 65, and pensionable earnings consist of wages or salary. Pensionable earnings for Mr. Eagles during 1984 were $214,167 and at December 31, 1984 he had completed 35 years of pensionable service.

The following table illustrates the approximate pension benefits payable at normal retirement age under the Subsidiary Companies Pension Plan:

Average Annual	Years of Pensionable Service			
Pensionable Earnings	15	20	30	35
$200,000	$58,244	$ 77,776	$117,776	$137,776
225,000	65,744	87,776	132,776	155,276
250,000	73,244	97,776	147,776	172,776
275,000	80,744	107,776	162,776	190,276

Dr. Macnamara participates in Algoma's Extra Compensation Plan, pursuant to which Algoma had accrued at December 31, 1984, $366,000 which is payable in the future on the retirement or termination of employment or death during employment of Dr. Macnamara. In the event of early retirement, the amount is reduced by 3% per year for each year remaining until age 65.

Dr. Macnamara also participates in the Algoma Management Pension Plan, which is a non-contributory defined benefit plan pursuant to which pensions are paid to eligible officers and employees at retirement, based on pensionable earnings during the best 5 consecutive years prior to retirement. The maximum pension payable under Revenue Canada rules is approximately $60,000 per annum. Algoma has agreed to pay directly as an additional retirement benefit to eligible officers the amount by which pensions payable under the Plan exceed the $60,000 limit. Normal retirement age is 65, and pensionable earnings consist of salary and one half of any bonus. Pensionable earnings for Dr. Macnamara during 1984 were $271,369, and at December 31, 1984 he had completed 33 years of pensionable service.

The following table illustrates approximate combined pension benefits payable at normal retirement age under the Algoma Management Pension Plan and by Algoma directly:

Average Annual	Years of Pensionable Service			
Pensionable Earnings	15	20	30	40
$250,000	$61,300	$ 81,700	$122,500	$163,400
275,000	67,700	90,200	135,400	180,500
300,000	74,100	98,800	148,200	197,600
325,000	80,500	107,300	161,000	214,700

Executive Compensation (continued)

In addition, Dr. Macnamara participates, with other executive officers of Algoma, in a supplemental retirement plan pursuant to which participants who have completed 25 years of pensionable service at age 62 are guaranteed a pension at retirement which is the greater of 65% of their average annual pensionable earnings during the best 5 consecutive years prior to retirement or the combined amount payable under the Algoma Management Pension Plan and by Algoma directly.

Mr. M. N. Anderson participates in the Cominco Ltd. pension plan which is a non-contributory defined benefit plan pursuant to which pensions are paid to eligible officers and employees at retirement, based on pensionable earnings of the best consecutive 5 years in the final 10 years of employment. Normal retirement age is 65, and pensionable earnings consist of salary. The maximum pension payable under Revenue Canada rules is approximately $60,000 per annum. Effective January 1, 1984, Cominco Ltd. introduced a supplementary retirement plan for officers and employees of that company which provides benefits equal to the amount by which the accrued pension exceeds the maximum benefit payable under Revenue Canada rules. Pensionable earnings for Mr. M. N. Anderson during 1984 were $267,083, and at December 31, 1984 he had completed 27 years of pensionable service.

The following table illustrates approximate combined pension benefits payable at normal retirement age under the Cominco Ltd. pension plan and the supplementary retirement plan:

Average Annual	Years of Pensionable Service			
Pensionable Earnings	25	30	35	40
$250,000	$ 89,600	$107,500	$125,400	$132,900
275,000	98,900	118,700	138,500	146,800
300,000	108,300	130,000	151,600	160,600
325,000	117,700	141,200	164,800	174,500

Mr. C. S. Flenniken participates in CIP Inc.'s Survivor Income Benefit Plan and Employee Benefit Plan, to which plans CIP Inc. in 1984 contributed $17,934 and $6,639 respectively on behalf of Mr. Flenniken. The former plan guarantees Mr. Flenniken's beneficiary income for life, the amount of which depends upon the beneficiary's age and Mr. Flenniken's base salary at time of death. The proceeds of the Employee Benefit Plan are vested and are payable in the future upon retirement, death or termination of employment.

Mr. Flenniken also participates in the Employees' Retirement Plan of CIP Inc., as it applies to all non-union employees and officers, which plan is a non-contributory defined benefit plan pursuant to which pensions are paid to eligible officers and employees at retirement based upon pensionable earnings of each year of service recognized under the Plan. Normal retirement age is 65 and pensionable earnings consist of wages or salary and incentive compensation. Currently pension benefits accrue each year at the rate of 1¼% of pensionable earnings for such year up to the maximum under the Quebec or Canada Pension Plan, and 2% of pensionable earnings in excess of the year's maximum. The maximum pension payable under Revenue Canada rules is approximately $60,000 per annum. CIP has agreed to pay Mr. Flenniken directly as an additional retirement benefit the amount by which the pension payable to him under the Plan exceeds the $60,000 limit. On the basis of the benefits accumulated in 1984, projected to normal retirement age, Mr. Flenniken will accumulate a combined retirement allowance of approximately $155,000.

Mr. Rombough participates in the PanCanadian Petroleum Limited Pension Plan which is a contributory defined benefit plan pursuant to which pensions are paid to eligible officers and employees at retirement, based on pensionable earnings during the best 5 consecutive years in the 10 years prior to retirement. Normal retirement age is 65 and pensionable earnings consist of wages or salary. The maximum pension payable to Mr. Rombough under Revenue Canada rules is limited. PanCanadian has agreed to pay directly as an additional retirement benefit to officers and employees on normal retirement the amount by which pensions payable under the Plan exceed the limit under Revenue Canada rules. Pensionable earnings for Mr. Rombough during 1984 were $215,000 and his pensionable service at December 31, 1984 was 8 years.

Executive Compensation (continued)

The following table illustrates approximate combined retirement benefits payable at normal retirement age under the PanCanadian Pension Plan and by PanCanadian directly:

Average Annual	Years of Pensionable Service			
Pensionable Earnings	5	10	15	20
$200,000	$19,442	$38,884	$58,326	$ 77,768
225,000	21,942	43,884	65,826	87,768
250,000	24,442	48,884	73,326	97,768
275,000	26,942	53,884	80,826	107,768

Pursuant to an agreement with PanCanadian, Mr. Rombough is also entitled to receive upon his retirement a lump sum payment which will provide a supplemental monthly pension equivalent to 20% of his average monthly salary during the last 5 years preceding retirement.

An executive officer of one of the Corporation's principal subsidiaries who is included in the group but not named above participates in defined benefit retirement plans maintained by such subsidiary for eligible officers and employees. The benefits under such plans are based on years of pensionable service and average final pensionable earnings. Based on current pensionable earnings and assuming retirement at normal retirement age, this executive officer would be entitled to receive upon retirement a benefit of approximately $150,000 per annum.

No director who is also a salaried officer of the Corporation is entitled to any remuneration for the performance of his duties as a director. For the calendar year 1984, the Board authorized a basic retainer of $7,500 to each director, an additional retainer of $3,500 to each member of the Executive Committee and an additional retainer of $1,000 for the Chairman of the Audit Committee, a fee of $500 for each director for each meeting of the Board attended, a fee of $500 for each member for each meeting of the Executive Committee, Audit Committee, Compensation Committee, and Nominating Committee attended and a fee of $600 for each meeting of the Management Resources Committee attended.

The Board may award special remuneration to any director undertaking any service on behalf of the Corporation outside the duties ordinarily required of a director by the Corporation.

Executive Compensation (continued)

The following statement shows the directors' and officers' remuneration from the Corporation and its subsidiaries as required by sub-paragraph 35(t)(v) of the Canada Business Corporations Act Regulations:

	Nature of Remuneration Earned					
	Directors' Fees	Salaries	Bonuses	Non-accountable expense allowance	Other	Total
Remuneration of Directors	$	$	$	$	$	$
(A) Number of directors: 19						
(B) Body Corporate incurring the expense:						
Canadian Pacific Enterprises Limited	230,164					230,164
The Algoma Steel Corporation, Limited	50,500					50,500
AMCA International Limited	80,000					80,000
AMCA International Corporation	15,990					15,990
Canadian Pacific Securities Limited	1,175					1,175
CIP Inc.	11,600					11,600
Cominco Ltd.	52,747					52,747
Hawaiian Western Steel Limited	259					259
Vestgron Mines Limited	1,000					1,000
Great Lakes Forest Products Limited	13,233					13,233
Marathon Realty Company Limited	7,400					7,400
Pacific Forest Products Limited	1,475					1,475
PanCanadian Petroleum Limited	42,000					42,000
Remuneration of Officers						
(A) Number of officers: 8						
(B) Body Corporate incurring the expense:						
Canadian Pacific Enterprises Limited		1,298,498	271,398			1,569,896
Steep Rock Resources Inc.		100				100
Totals	$507,543	$1,298,598	$271,398	$NIL	$NIL	$2,077,539

The cost to the Corporation and its subsidiaries in 1984 of all benefits proposed to be paid under any pension or retirement plan to the persons mentioned in the foregoing table cannot readily be calculated.

Under the Corporation's Variable Compensation Payments Plan, the Compensation Committee of the Board of Directors fixes, annually, an amount which designated executives may receive as additional compensation. This amount ranges generally from 12½% to 30% of annual base salary. The award entitlement in each year, payable in cash in the subsequent year, is based on the Corporation's planned net income being attained. If the planned net income is exceeded, the payments may be increased by an amount up to 50% of the original percentage fixed. Amounts to be paid in 1985 with respect to performance in 1984 are included in each of the remuneration tables.

Cominco Ltd. Executive Stock Option Plan

Cominco Ltd. has reserved from Treasury 900,000 of its common shares (after giving effect to a three-for-one subdivision of such shares effective May 4, 1984) for stock option plans in favour of certain executives in the full time employment of Cominco or a subsidiary. On May 1, 1984, Cominco Ltd. granted to Mr. M. N. Anderson options to acquire 5,000 common shares of Cominco (increased to 15,000 shares after giving effect to the subdivision of shares). These options are exercisable between May 1, 1985 and April 30, 1989, at a price of either (a) $48.27, being 90% of the closing price of the common shares on the Toronto Stock Exchange on April 30, 1984, or (b) $53.625, being 100% of the closing price of the common shares on the Toronto Stock Exchange on April 30, 1984, as elected by the grantee, which prices would be adjusted to take into account the subsequent three-for-one subdivision of shares. Exercise of an option at one price extinguishes the right to purchase an equal number of common shares at the alternate price. Cominco common shares traded between $55.25 (high on a pre-split trading basis) and $17.50 (low on a post-split trading basis) during the 30 days preceding the date of granting of the options. In 1984, Mr. Anderson exercised options for 3,000 common shares at $32.40 per share (on a pre-split basis) having an aggregate net value (market value on date of exercise less exercise price) of $72,675. Cominco common shares traded between $55.25 and $61.00 during the 30 days preceding the date of purchase.

Indebtedness of Management

To assist employees affected by relocation, the Corporation makes mortgage loans available in amounts dependent upon the cost differentials in housing in the locations involved, the purchase price of the new house and the salary of the employee. Such loans are outstanding to Mr. J. F. Hankinson, Vice-President Finance and Accounting and Mr. R. A. Norris, Comptroller. The loan to Mr. Hankinson was made on December 9, 1982, and the loan to Mr. Norris was made on July 1, 1982, both loans for a term of 20 years. These loans bear no interest for the first 10 years and interest at the lesser of 10% or the Bank of Montreal prime rate for the last 10 years, with principal repayments commencing in the sixth year of the loan. The amounts outstanding on the loans to Messrs. Hankinson and Norris from the dates of their inception to February 28, 1985, were $91,000 and $85,500, respectively.

Directors and Officers Liability Insurance

The Corporation participates in directors and officers liability insurance acquired by Canadian Pacific Limited on behalf of its directors and officers and those of participating subsidiaries. The approximate amount of premium paid by the Corporation in 1984 in respect of its directors as a group and in respect of its officers as a group was $1,000 and $600 respectively. The aggregate amount of premium paid by the directors and the officers of the Corporation in respect of the year 1984 was approximately $130 and $160 respectively. The policy provides coverage with a limit of $100,000,000 in each policy year, subject to a deductible of $75,000 each loss to be absorbed by the Corporation.

Appointment of Auditors

Price Waterhouse have served as auditors of the Corporation since January 31, 1964 and will be nominated for reappointment to the office of auditors of the Corporation for a term expiring at the close of the next Annual Meeting of Shareholders to be held in 1986 at a remuneration to be fixed by the Board of Directors.

Representatives of Price Waterhouse are expected to be present at the meeting with the opportunity to make a statement if they so desire and to respond to appropriate questions.

Exchange

All dollar amounts recorded in this Proxy Statement are expressed in Canadian dollars. The exchange rate between the Canadian dollar and the U.S. dollar is not fixed. During 1984 the high and low spot rates of exchange were $1.3358 Canadian equals $1 U.S. and $1.2441 Canadian equals $1 U.S., respectively.

Shareholder Proposals

Any shareholder proposals to be included in the Proxy Statement to be issued in respect of the 1986 Annual Meeting of Shareholders must be received by the Vice-President Administration and Secretary of the Corporation by January 24, 1986.

A COPY OF THE CORPORATION'S FORM 10-K FILED WITH THE SECURITIES AND EXCHANGE COMMISSION WILL BE PROVIDED WITHOUT CHARGE ON WRITTEN APPLICATION TO THE VICE-PRESIDENT ADMINISTRATION AND SECRETARY AT THE ADDRESS SHOWN FOR THE REGISTERED OFFICE OF THE CORPORATION APPEARING ON PAGE 1 OF THIS PROXY STATEMENT.

The contents and the sending of this Proxy Statement have been approved by the directors of the Corporation.

G. S. MacLean,
Vice-President Administration
and Secretary.

Dated at Calgary, Alberta, Canada, as of March 1, 1985.

PRINTED IN CANADA

CanadianPacificEnterprisesLimited

Notice of Special Meeting of Shareholders

NOTICE IS HEREBY GIVEN that a Special Meeting of Shareholders of Canadian Pacific Enterprises Limited (CPE) will be held in The Palliser Hotel, 133 – 9th Avenue South West, Calgary, Alberta, on Friday, December 6, 1985, commencing at 11:00 a.m. (Calgary time), for the purpose of considering and, if thought advisable, passing a special resolution approving the Amalgamation Agreement dated October 16, 1985 among CPE, Canadian Pacific Limited (CPL) and CPS Limited (a wholly owned subsidiary of CPL).

The texts of the Amalgamation Agreement and the special resolution are included as Schedules I and IV to the accompanying Joint Proxy Statement which forms part of this notice. A dissenting shareholder is entitled to be paid the fair value of his shares in accordance with section 184 of the Canada Business Corporations Act (see "The Merger – Right of Dissent" in the Joint Proxy Statement).

The Board of Directors has by resolution fixed the time before which proxies to be used at the Special Meeting of Shareholders must be deposited at Calgary, Alberta, Canada, with CPE or Montreal Trust Company as agent for CPE, at 36 hours, excluding Saturdays and holidays, preceding the meeting or an adjournment thereof.

BY ORDER OF THE BOARD OF DIRECTORS,
K. S. Benson
Vice-President Administration and Secretary
Calgary, Alberta, Canada, October 16, 1985.

NOTE:
If you are unable to attend the meeting in person, please complete and return the enclosed form of proxy in the envelope provided.

CANADIAN PACIFIC LIMITED
910 Peel Street
Montreal, Quebec
Canada H3C 3E4
Telephone (514) 395-5151

CANADIAN PACIFIC ENTERPRISES LIMITED
Suite 2300, One Palliser Square
125 – 9th Avenue S.E.
Calgary, Alberta, Canada T2G 0P6
Telephone (403) 231-6100

Joint Proxy Statement

Merger of

Canadian Pacific Enterprises Limited

and

Canadian Pacific Limited

Special Meetings of Shareholders
December 5 and 6, 1985

UNITED STATES SHAREHOLDERS:

THIS JOINT PROXY STATEMENT CONSTITUTES A PROSPECTUS RELATING TO 1.675 ORDINARY SHARES OF CANADIAN PACIFIC LIMITED FOR EACH COMMON SHARE OF CANADIAN PACIFIC ENTERPRISES LIMITED HELD BY A UNITED STATES SHAREHOLDER. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS JOINT PROXY STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

UNITED KINGDOM SHAREHOLDERS:

A COPY OF THIS DOCUMENT, AND OF THE DOCUMENTS REFERRED TO ON PAGE iii OF THIS DOCUMENT AS BEING INCORPORATED BY REFERENCE HEREIN, WHICH TOGETHER COMPRISE LISTING PARTICULARS RELATING TO CANADIAN PACIFIC LIMITED IN ACCORDANCE WITH THE STOCK EXCHANGE (LISTING) REGULATIONS 1984 OF THE UNITED KINGDOM, HAS BEEN DELIVERED FOR REGISTRATION TO THE REGISTRAR OF COMPANIES AS REQUIRED BY REGULATION 7 (5) OF THOSE REGULATIONS.

The date of this Joint Proxy Statement is October 16, 1985.

Certain Matters of Interest to United States Shareholders

Available Information

Canadian Pacific Limited (CPL) and Canadian Pacific Enterprises Limited (CPE) are subject to the information requirements of the Securities Exchange Act of 1934 (the Exchange Act) and in accordance therewith file reports, proxy statements and other information with the United States Securities and Exchange Commission (the SEC). Such reports, proxy statements and other information filed by CPL and by CPE can be inspected and copied at the public reference facilities maintained by the SEC at Room 1024, 450 5th Street, N.W., Washington, D.C. 20549 and at the following Regional Offices of the SEC: Suite 500 East, 5757 Wilshire Boulevard, Los Angeles, California 90036; Room 1204, 219 South Dearborn Street, Chicago, Illinois 60604; and Room 1028, 26 Federal Plaza, New York, New York 10278. Copies of such material can be obtained at prescribed rates from the Public Reference Section of the SEC, 450 5th Street, N.W., Washington, D.C. 20549. Such reports, proxy statements and other information concerning CPL and CPE can also be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

Documents Incorporated by Reference

The following documents heretofore filed by CPL and by CPE with the SEC under the Exchange Act are incorporated herein by reference:

(a) CPL's Annual Report on Form 10-K for the year ended December 31, 1984 and, to the full extent so filed and incorporated by reference in such Annual Report, CPL's 1984 Annual Report to Shareholders;
(b) CPL's Current Reports on Form 8-K dated February 13, 1985, September 6, 1985 and September 16, 1985;
(c) CPL's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1985 and June 30, 1985;
(d) CPE's Annual Report on Form 10-K for the year ended December 31, 1984 and, to the full extent so filed and incorporated by reference in such Annual Report, CPE's 1984 Annual Report to Shareholders;
(e) CPE's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1985 and June 30, 1985; and
(f) CPE's Current Report on Form 8-K dated September 16, 1985.

All documents filed by CPL and by CPE pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Joint Proxy Statement and prior to the Special Meeting of CPE Shareholders on December 6, 1985 shall be deemed to be incorporated by reference in this Joint Proxy Statement and to be a part hereof from the date of filing of such documents.

Each of CPL and CPE hereby undertakes to provide without charge to each of its shareholders to whom a copy of this Joint Proxy Statement has been delivered, on the written or oral request of such person, a copy of any or all of the documents referred to above which have been or may be incorporated by reference in this Joint Proxy Statement, other than exhibits to such documents. Written requests for such copies should be directed, in the case of CPL, to the Secretary, Canadian Pacific Limited, 910 Peel Street, P.O. Box 6042, Station A, Montreal, Quebec H3C 3E4 (telephone number 514-395-5151), and, in the case of CPE, to the Vice-President Administration and Secretary, Canadian Pacific Enterprises Limited, Suite 2300, One Palliser Square, 125 – 9th Avenue S.E., Calgary, Alberta T2G 0P6 (telephone number 403-231-6100). In order to ensure timely delivery of the documents, any request should be made by the fifth business day preceding the relevant meeting.

CPL and CPE are Canadian corporations. Most of their respective directors and officers and the experts named herein are residents of Canada, and most of the assets of CPL and of CPE are located outside the United States. As a result, it may be difficult for investors to effect service within the United States upon such directors, officers and experts or to realize against them or the assets of CPL or CPE upon any judgments of courts of the United States predicated upon the civil liability provisions of the United States federal securities laws. In addition, there is doubt as to the enforceability in Canada of liabilities predicated solely upon such provisions, either in original actions or in actions for enforcement of judgments of United States courts.

In this Joint Proxy Statement, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars. Since June 1, 1970 the Government of Canada has permitted a floating exchange rate to determine the value of the Canadian dollar against the United States dollar. On October 15, 1985, the noon buying rate in New York City, payable in Canadian dollars as reported by the Federal Reserve Bank of New York, was U.S. $0.7298 = Can. $1.00. The high, low, closing and average spot rates for the Canadian dollar in terms of United States dollars for the five years ended December 31, 1984 and for the six months ended June 30, 1985, as reported by the Federal Reserve Bank of New York, were as follows:

	June 30, 1985	December 31				
		1984	1983	1982	1981	1980
High	0.7575	0.8054	0.8201	0.8430	0.8499	0.8754
Low	0.7130	0.7492	0.7993	0.7691	0.8048	0.8258
Closing	0.7357	0.7566	0.8035	0.8132	0.8430	0.8372
Average	0.7336	0.7710	0.8108	0.8088	0.8338	0.8546

Table of Contents

Accompanying this Joint Proxy Statement is a booklet containing: in respect of CPL, its Annual Information Form dated May 1, 1985, Form 10-K Annual Report for the year ended December 31, 1984, 1984 Annual Report to Shareholders, Management Proxy Statement dated March 11, 1985, Form 8-K Current Reports dated February 13, 1985 and September 6, 1985, Form 10-Q Quarterly Report for the quarter ended June 30, 1985 and Report to Shareholders for the six months ended June 30, 1985; and in respect of CPE, its Annual Information Form dated April 26, 1985, Form 10-K Annual Report for the year ended December 31, 1984, 1984 Annual Report to Shareholders, Proxy Statement dated March 1, 1985, Form 10-Q Quarterly Report for the quarter ended June 30, 1985 and Report to Shareholders for the six months ended June 30, 1985. These documents are incorporated herein by reference.

No person is authorized to give any information or make any representation not contained in this Joint Proxy Statement in connection with the issue of Ordinary Shares of CPL referred to in this Joint Proxy Statement and, if given or made, such information or representation should not be relied upon as having been authorized by CPL or CPE. Neither the delivery of this Joint Proxy Statement nor any distribution of securities made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of CPL or CPE since the date of this Joint Proxy Statement.

Summary

The following is a summary of certain information contained in this Joint Proxy Statement. It is selective, incomplete and qualified in its entirety by the more detailed information appearing or referred to elsewhere in this Joint Proxy Statement.

Date, Time and Place of Meetings

CPL –December 5, 1985, 10:00 a.m. (Montreal time), Le Château Champlain, Place du Canada, Montreal, Quebec.

CPE –December 6, 1985, 11:00 a.m. (Calgary time), The Palliser Hotel, 133 – 9th Avenue South West, Calgary, Alberta.

Record Dates

CPL and ***CPE*** – October 25, 1985. See "General Proxy Information – Voting Securities and Principal Holders Thereof".

Purposes of Meetings

CPL – To approve the issue of CPL Ordinary Shares in connection with a proposed merger of CPE and CPL pursuant to an Amalgamation Agreement among CPE, CPL and CPS Limited (CPS, a wholly owned subsidiary of CPL); to pass a special resolution to amend CPL's articles to increase the maximum number of directors from 24 to 30; and to elect five additional directors of CPL effective on implementation of the merger.

CPE – To pass a special resolution approving the Amalgamation Agreement among CPE, CPL and CPS.

Votes Required

CPL – In respect of the issue of CPL Ordinary Shares, a majority of the votes cast by the Ordinary and Preference Shareholders voting together; in respect of the special resolution to increase the maximum number of directors, two-thirds of the votes cast by the Ordinary and Preference Shareholders voting together; and in respect of the election of directors, a majority of the votes cast by the Ordinary and Preference Shareholders voting together.

CPE – In respect of the special resolution approving the Amalgamation Agreement, two-thirds of the votes cast by the Common Shareholders voting thereon, subject to the condition of approval by a majority of the votes cast by shareholders of CPE other than CPL, and the separate class vote of the holder of the Cumulative Redeemable Convertible Preferred Shares, Series B (which has indicated its intention to approve).

Directors and executive officers (and their affiliates) of CPL and of CPE hold or are deemed under regulations of the SEC to hold 26,040,903 (11.36%) of the CPL Ordinary and Preference Shares and 2,065,177 (1.33%) of the CPE Common Shares entitled to vote. None of such persons has indicated an intention to vote such shares otherwise than for the merger. See "General Proxy Information – Voting Securities and Principal Holders Thereof" and "Interests of Directors and Officers".

Terms of Merger

CPE and CPS will amalgamate and continue as one corporation. Holders of CPE Common Shares (other than CPL) will receive 1.675 CPL Ordinary Shares for each CPE Common Share (and a cheque instead of any fractional share). CPL will become the holder of all the issued Common Shares of the amalgamated corporation. CPE's Cumulative Redeemable Convertible Preferred Shares, Series B will be retired at the price of $20.562 per share, totalling $102,810,000, plus accrued and unpaid dividends, before implementation of the merger. See "The Merger – Terms of Merger".

An independent committee of CPE directors consisting of Messrs. Galt, Leitch, MacNaughton, Nichol and Southern has concluded that the exchange ratio of 1.675 CPL Ordinary Shares for each CPE Common Share is fair to the CPE minority shareholders. Financial advisers to CPE and to CPL have given opinions that the exchange ratio is fair and reasonable from a financial point of view. See "The Merger – Directors' Approvals, CPE Independent Committee and Fairness Opinions".

All applicable federal, provincial or state regulatory requirements and approvals in connection with the merger have been complied with or obtained.

Reasons for Merger

The reasons for the merger are to facilitate the integration of the businesses and operations and the unification of the managements of CPE and CPL, and to allow for more effective co-ordination and utilization of their financial resources and assets. It is expected that as a result of the merger the Ordinary Shares of CPL will reflect better the value of the assets and earnings of the combined corporations. See "The Merger – Reasons for Merger".

The Boards of Directors of CPE and of CPL consider it advantageous to CPE and CPL and their shareholders that the merger proceed and unanimously recommend that shareholders vote for its approval.

Effective Date of Merger

As soon as practicable following the shareholders' meetings of CPL and CPE.

Stock Exchange Listings

Applications are being made to list the additional CPL Ordinary Shares to be issued in the merger on the Montreal, Toronto, Vancouver, New York and London stock exchanges. Application also is being made to list the CPL Ordinary Shares on The Alberta Stock Exchange. The CPE Common Shares will be delisted.

Right of Dissent

Shareholders of CPE have the right to dissent and be paid the fair value of their shares upon compliance with the provisions of section 184 of the Canada Business Corporations Act. Shareholders of CPL do not have this right. See "The Merger – Right of Dissent".

Income Tax Consequences

Canada – For Canadian federal income tax purposes, CPE Common Shareholders holding their shares as capital property will be entitled to a tax-free "rollover" in respect of the receipt of CPL Ordinary Shares for their CPE Common Shares. In respect of cash received instead of a fractional share, shareholders may recognize a capital gain or loss or reduce the adjusted cost base of their shares.

United States – Although there are no controlling precedents, for United States federal income tax purposes, subject to certain conditions, CPE Common Shareholders should recognize no gain or loss in respect of the receipt of CPL Ordinary Shares for their CPE Common Shares, except in respect of any cash received instead of a fractional share.

United Kingdom – For United Kingdom tax purposes, subject to certain conditions, CPE Common Shareholders holding their shares as a capital asset will not realise any chargeable gain (or allowable loss) in respect of the receipt of CPL Ordinary Shares for their CPE Common Shares, except in respect of any cash received instead of a fractional share.

See "The Merger – Income Tax Consequences".

Termination of Amalgamation

The Amalgamation Agreement may be terminated by the directors of CPE or of CPS before the amalgamation becomes effective notwithstanding approval by shareholders. This could occur if directors determined that the amalgamation were no longer in the best interests of the corporation or its shareholders. See "The Merger – Terms of Merger".

Canadian Pacific Limited

CPL directly and through subsidiaries carries on transportation and related operations consisting of railways, airlines, hotels, ocean shipping, trucking, telecommunications and certain ancillary activities. CPL holds approximately 69.6% of the issued CPE Common Shares. See "Canadian Pacific Limited".

Canadian Pacific Enterprises Limited

CPE is a diversified holding corporation with interests in oil and gas, mines and minerals, forest products, iron and steel, real estate, agriproducts and other businesses. See "Canadian Pacific Enterprises Limited".

Recent Developments

For information concerning recent trends in earnings and certain recent developments which should be considered in connection with the proposed merger, see "Recent Developments".

Recent Share Market Prices

Set forth below are the closing sale prices of the CPL Ordinary Shares (on an historical basis) and the CPE Common Shares (both on an historical and an equivalent per share basis) on The Toronto Stock Exchange on September 6, 1985, the last trading day preceding the public announcement of the proposed merger, and on October 15, 1985, the last trading day preceding the date of this Joint Proxy Statement. See "Share Market Prices".

	CPL Ordinary Shares	CPE Common Shares	CPE Common Shares Pro Forma (1)
September 6, 1985	$17.750	$26.375	$29.731
October 15, 1985	$16.000	$26.250	$26.800

(1) Based upon the exchange ratio of 1.675 CPL Ordinary Shares for each CPE Common Share.

Summary Financial Information

The following tables present selected historical and pro forma financial information for CPL and CPE. The tables should be read in conjunction with the historical financial statements and notes thereto and pro forma financial information included elsewhere or incorporated by reference in this Joint Proxy Statement.

	CPL					
	Six months ended June 30, 1985 (Unaudited)	Year ended December 31				
		1984	1983	1982	1981	1980
	(in thousands – except per share amounts)					
Historical						
Revenues	$ 7,570,497	$14,635,095	$12,759,297	$12,301,895	$12,336,266	$ 9,984,546
Net income – Canadian GAAP	141,941	376,903	143,592	188,294	485,579	583,157
– United States GAAP	117,753	340,504	98,716	96,442	487,287	576,558
Earnings per Ordinary Share						
– Canadian GAAP	0.66	1.75	0.66	0.87	2.25	2.70
– United States GAAP	0.55	1.58	0.45	0.44	2.26	2.67
Total assets	20,149,398	18,796,122	17,601,949	17,273,034	16,330,185	13,038,501
Long term debt, debenture stock and redeemable preferred shares	5,989,811	5,486,298	5,417,908	5,442,094	4,670,959	2,997,035
Cash dividends declared per Ordinary Share						
– Canadian dollars	0.24	0.47	0.47	0.55	0.63	0.62
– United States dollars	0.17	0.36	0.38	0.44	0.53	0.53
Book value per Ordinary Share	21.45	20.92	18.72	18.43	18.13	16.22
Number of Ordinary Shares	214,987	214,987	214,987	214,987	214,987	214,987
Pro Forma (Unaudited)						
Earnings per Ordinary Share						
– Canadian GAAP	$ 0.60	$ 1.53				
– United States GAAP	0.49	1.37				
Book value per Ordinary Share	20.45					
Number of Ordinary Shares	293,941	293,941				

Summary Financial Information (continued)

	Six months ended June 30, 1985 (Unaudited)	CPE				
		Year ended December 31				
		1984	1983	1982	1981	1980
	(in thousands – except per share amounts)					
Historical						
Revenues	$ 4,985,549	$ 9,856,057	$ 8,652,239	$ 8,494,663	$ 8,558,759	$ 6,659,250
Net income – Canadian GAAP	139,684	307,126	94,301	150,144	404,600	491,257
– United States GAAP	118,217	276,826	42,001	64,244	394,900	476,057
Earnings per Common Share						
– Canadian GAAP	0.88	1.96	0.61	1.05	2.87	3.63
– United States GAAP	0.74	1.76	0.27	0.45	2.80	3.52
Total assets	12,555,027	12,357,397	11,933,895	12,017,478	11,241,120	8,496,146
Long term debt and redeemable preferred shares	3,984,560	3,984,489	3,933,127	3,920,541	3,309,945	1,831,381
Cash dividends declared per Common Share						
– Canadian dollars	0.40	0.80	0.80	0.96	1.12	1.005
– United States dollars	0.29	0.61	0.65	0.77	0.94	0.86
Book value per Common Share	21.13	20.57	19.27	19.44	19.53	17.76
Number of Common Shares						
– actual	154,797	154,506	153,941	153,474	141,356	140,661
– average	154,701	154,262	153,736	142,990	140,972	135,335

Notes:

1. Book value and earnings per Ordinary Share, dividend data and number of shares reflect the three-for-one share split of CPL's Ordinary Shares effective May 17, 1985.
2. A discussion of the differences between generally accepted accounting principles (GAAP) in Canada and the United States appears on page 40 of CPL's 1984 Annual Report to Shareholders and on page 35 of CPE's 1984 Annual Report to Shareholders incorporated by reference in this Joint Proxy Statement. The effect of differences between Canadian and United States GAAP on per share book values is not significant.
3. Included in 1983 net income for CPE is an extraordinary item of $31,435,000 (equivalent to $0.20 per Common Share) representing the gain on the sale of Canadian Pacific Hotels Limited to Canadian Pacific Air Lines, Limited, a wholly owned subsidiary of CPL, effective December 1, 1983.

General Proxy Information

Approximate date proxy material first sent to shareholders:
October 28, 1985.

Solicitation of Proxies

This Joint Proxy Statement is furnished in connection with the solicitation by the managements of Canadian Pacific Limited (CPL) and Canadian Pacific Enterprises Limited (CPE) of proxies for use at the special meetings of shareholders of CPL and CPE and at any adjournments thereof. The CPL meeting will be held on Thursday, December 5, 1985 at 10:00 a.m. (Montreal time) in Le Château Champlain, Place du Canada, Montreal, Quebec. The CPE meeting will be held on Friday, December 6, 1985 at 11:00 a.m. (Calgary time) in The Palliser Hotel, 133 – 9th Avenue South West, Calgary, Alberta.

In the case of CPL, the purposes of the meeting are: to consider and, if thought advisable, to approve the issue of CPL Ordinary Shares in connection with a proposed merger of CPE and CPL pursuant to an Amalgamation Agreement dated October 16, 1985 among CPE, CPL and CPS Limited (CPS, a new wholly owned subsidiary of CPL); to consider and, if thought advisable, to pass a special resolution to amend CPL's articles to increase the maximum number of its directors from 24 to 30; and to elect five additional directors of CPL effective upon implementation of the merger.

In the case of CPE, the purpose of the meeting is to consider and, if thought advisable, to pass a special resolution approving the Amalgamation Agreement.

Each of CPL and CPE will bear its own cost of solicitation. In both cases, the solicitation will be primarily by mail. However, certain officers and employees may also solicit proxies by telephone or in person. CPE will engage Dominion Securities Pitfield Limited to solicit proxies from shareholders by mail, by telephone or in person in Canada and elsewhere (other than the United States) at a cost to CPE of $25 per proxy to be voted for the merger, plus out-of-pocket expenses. CPL and CPE have engaged Hill and Knowlton, Inc. to solicit proxies from shareholders by mail, by telephone or in person in the United States at a cost of U.S. $10,000 to CPL and U.S. $6,000 to CPE, plus out-of-pocket expenses.

Appointment of Proxyholders and Revocation of Proxies

A vote at all meetings of shareholders of CPL and of CPE may be given in person or by proxy whether or not the proxyholder is a shareholder. The time for the deposit of proxies is specified in the notice of meeting.

A shareholder giving a proxy has the right under subsection 142(4) of the Canada Business Corporations Act (CBCA) to revoke the proxy: by instrument in writing executed by the shareholder or by the shareholder's attorney authorized in writing and deposited either at the registered office of CPL or CPE, as the case may be, at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the chairman of the meeting on the day of the meeting, or any adjournment thereof; or in any other manner permitted by law.

Voting Shares as Specified

Shares represented by properly executed proxies in favour of the persons designated in the printed portion of the enclosed form of proxy will be voted or withheld from voting on any ballot that may be called for and, where the shareholder specifies a choice with respect to any matter to be acted upon, such shares will be voted in accordance with any specification so made. **In the absence of such specification, such shares will be voted: in the case of CPL, for the approval of the issue of Ordinary Shares in connection with the proposed merger, for the special resolution to amend CPL's articles to increase the maximum number of directors, and for the election of additional directors; and in the case of CPE, for the special resolution approving the Amalgamation Agreement.**

Exercise of Discretion by Proxyholders

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting and with respect to other matters which may properly come before the meeting. At the date of this Joint Proxy Statement, the managements of CPL and CPE know of no such amendments, variations or other matters to come before the respective meetings.

Voting Securities and Principal Holders Thereof

CPL – On October 16, 1985, there were outstanding 215,179,384 Ordinary Shares, 11,539,191 Canadian Dollar Preference Shares and 2,594,769 Sterling Preference Shares, the holders of which are entitled to one vote for each share held. The holders of both the Ordinary and the Preference Shares are entitled to vote together at the meeting, giving a total entitlement of 229,313,344 votes.

CPE – On October 16, 1985, there were outstanding 155,078,813 Common Shares, each carrying one vote. In addition, there were outstanding 5,000,000 Cumulative Redeemable Convertible Preferred Shares, Series B, all of which are held by a Canadian chartered bank, which is entitled to one vote per share separately as a class in respect of the Amalgamation Agreement.

The Boards of Directors of CPL and CPE have fixed the close of business on October 25, 1985, as the record date for the purpose of determining shareholders entitled to receive notice of meeting but the failure of any shareholder to receive a notice of meeting of shareholders does not deprive the shareholder of a vote at the meeting. If a person has acquired shares after the record date, that person is entitled to vote those shares at the meeting upon producing properly endorsed share certificates, or otherwise establishing share ownership, and demanding the inclusion of his or her name in the list of shareholders not later than 10 days before the date of the meeting.

For information respecting principal holders of voting securities see, in the case of CPL, its Management Proxy Statement dated March 11, 1985 pages 2 and 3 as modified by the information in Item 5 of its Quarterly Report on Form 10-Q for the quarter ended June 30, 1985 and, in the case of CPE, its Proxy Statement dated March 1, 1985 page 2, which information is incorporated herein by reference. See also Schedule VII to this Joint Proxy Statement.

The Merger

The proposed merger of CPE and CPL initially was approved in principle by the Boards of Directors of CPL and CPE on September 8, 1985. The Boards gave final approval to the merger on October 16 , 1985, directing submission to shareholders for their approval.

Reasons for Merger

The reasons for the merger are to facilitate the integration of the businesses and operations and the unification of the managements of CPE and CPL, and to allow for more effective co-ordination and utilization of their financial resources and assets.

At present, CPE is a holding corporation, with interests in various resource, manufacturing and real estate businesses. CPL is the parent corporation, with approximately 69.6% of the CPE Common Shares and interests in CP Rail and other transportation businesses. It is expected that as a result of the merger the Ordinary Shares of CPL will reflect better the value of the assets and earnings of the combined corporations.

Shares of CPE were first offered to the public in 1967. At that time, it was determined that the development of Canadian Pacific's resource holdings could best be achieved with additional equity participation in the resource holding company. In the period that followed, the process proved to be a success and, at the same time, Canadian Pacific's transportation businesses were enhanced and expanded. Now, it is apparent that the ability to pursue further growth prospects and future investment opportunities can be improved by the merger.

The Boards of Directors of CPE and CPL consider it advantageous to CPE and CPL and their shareholders that the merger proceed and unanimously recommend that shareholders vote for its approval.

Terms of Merger

The merger would be effected in accordance with the Amalgamation Agreement among CPE, CPL and CPS, a wholly owned subsidiary of CPL. The text of the Amalgamation Agreement, which is attached as Schedule I to this Joint Proxy Statement, is incorporated herein by reference.

Under the Amalgamation Agreement, CPE and CPS will amalgamate pursuant to the CBCA and continue as one corporation under the name "Canadian Pacific Enterprises Limited", with its registered office in Calgary, Alberta. The property of each of CPE and CPS will continue to be the property of the amalgamated corporation, which will continue to be liable for the obligations of each of CPE and CPS. The amalgamation will become effective on the date shown in the certificate of amalgamation issued pursuant to the CBCA in respect of articles of amalgamation sent to the Director under the CBCA. This is expected to occur as soon as practicable after the meetings of shareholders. Before implementation of the amalgamation, the CPE Cumulative Redeemable Convertible Preferred Shares, Series B will be retired at the price of $20.562 per share, totalling $102,810,000, plus accrued and unpaid dividends.

On the effective date of the amalgamation:

(a) The holders of the CPE Common Shares (other than CPL) will receive 1.675 CPL Ordinary Shares for each CPE Common Share, which will be cancelled. This will result in the issue of up to 78,954,634 additional CPL Ordinary Shares, which will then represent about 26.84% of the total issued CPL Ordinary Shares.

(b) The CPE Common Shares and CPS Common Shares held by CPL will be converted into Common Shares of the amalgamated corporation. In consideration for the issue by CPL of its Ordinary Shares, the amalgamated corporation will issue to CPL additional Common Shares of the amalgamated corporation. The result will be that all the issued Common Shares of the amalgamated corporation will be held by CPL.

Instead of the issue of fractional CPL Ordinary Shares, holders of CPE Common Shares will be paid by cheque in respect of fractions based on the closing sale price of CPL Ordinary Shares on The Toronto Stock Exchange on the last trading day preceding the effective date. Shareholders outside Canada will be paid in United States funds converted on the basis of the noon buying rate reported by the Federal Reserve Bank of New York on the effective date.

By structuring the merger as an amalgamation of CPE with a wholly owned subsidiary of CPL, two distinct registered offices will be maintained, one in Montreal and one in Calgary. Having registered offices in these two cities will continue to reflect the wide geographic spread of Canadian Pacific's interests throughout Canada. In addition, structured in this fashion, the merger will avoid the imposition of United States federal income tax under the Foreign Investment in Real Property Tax Act of the United States in respect of any United States real property interests of CPE and CPL, assuming the merger is effected in 1985. It also provides CPE shareholders resident in the United Kingdom with a type of transaction which could qualify for tax-free rollover treatment under the Capital Gains Tax Act of the United Kingdom.

Directors' Approvals, CPE Independent Committee and Fairness Opinions

Studies by management of the possibility of a merger began in April, 1985. In the course of the studies, Wood Gundy Inc. and Burns Fry Limited, nationally recognized Canadian investment dealers, were retained to act as financial advisers to CPL. The Boards of Directors of CPL and CPE were informed on August 12 and August 13 respectively that the studies were being conducted.

In light of the relationship between CPE and CPL, an independent committee of the CPE Board was formed, consisting of Messrs. T.M. Galt, C.M. Leitch, Q.C., A.A. MacNaughton, J.L. Nichol, O.C., and R.D. Southern, who are not otherwise associated with CPL as directors or officers. In preparing to be in a position to consider a merger, the committee retained Dominion Securities Pitfield Limited (DSP), a nationally recognized Canadian investment dealer, to act as financial advisers to the committee and the Board of Directors of CPE. During the period that followed, the committee met with DSP on a number of occasions to discuss the merger possibility. The members of the independent committee are to be nominated for election as directors of CPL effective upon implementation of the merger.

The merger initially was approved in principle by the CPL Board at a meeting on September 8, 1985. In giving its approval, the Board considered a number of factors, including reasons for the merger, the terms and conditions of the proposed amalgamation agreement and certain financial analysis relevant to the merger and the determination of a share exchange ratio. The Board concluded that the merger was in the best interests of CPL and its shareholders and determined the exchange ratio of 1.675 CPL Ordinary Shares for each CPE Common Share.

The CPL Board then requested Wood Gundy and Burns Fry to provide an opinion as to the share exchange ratio. In reaching their opinion, Wood Gundy and Burns Fry considered certain publicly available information concerning CPL, CPE and their subsidiaries, published stock market trading data relating to their shares, internal information relating to their businesses and operations, historical, current and forecasted financial information concerning CPL and CPE, and published stock market and other data of a general nature relating to the industries in which CPL and CPE and their subsidiaries operate. In addition, Wood Gundy and Burns Fry held discussions with certain members of senior management of CPL and CPE concerning their respective operations. They also considered for the shareholders of each of CPL and CPE the effect of the merger on their respective ownership interests in the underlying assets of the corporations and on their respective positions on a per share basis with respect to earnings, book value and dividends. Wood Gundy and Burns Fry concluded that the terms of the proposed merger are fair and reasonable from a financial point of view to the CPL shareholders.

The merger proposal was submitted to the CPE Board at a meeting held on September 8, 1985. The CPE Board referred the matter to the independent committee, which considered the fairness of the proposed share exchange ratio. Following review of the exchange ratio, during which the committee conferred with DSP, the committee concluded that the ratio is fair to the CPE minority shareholders.

The independent committee requested DSP to provide an opinion as to the share exchange ratio. In arriving at its opinion, DSP considered historic and current relationships between the stock market prices and trading patterns of CPL and CPE, other general stock market data and indices including market data pertaining to major subsidiaries of CPE, certain publicly available information on CPE, CPL and their subsidiaries, certain internal information concerning the businesses, operations and prospects of CPE, CPL and their subsidiaries, earnings and other financial forecasts provided by CPE and CPL, and other information of a public nature or supplied by CPE and CPL considered necessary or appropriate in the circumstances. In addition, DSP conducted interviews with senior management of CPE, CPL and certain of their major subsidiaries concerning their respective businesses, financial condition, assets, plans and business activities. DSP also considered the significant degree to which holders of CPE Common Shares would maintain on a pro forma basis their existing interest in the CPE entities and that the dividend income per equivalent CPE Common Share would be maintained under the share exchange ratio. DSP concluded that the ratio is fair and reasonable from a financial point of view to the CPE minority shareholders. After receiving the report of the independent committee and DSP's opinion, the CPE Board approved the merger in principle.

Final approval of the merger was given by the Boards of Directors of CPL and CPE on October 16, 1985. The CPL Board requested Wood Gundy and Burns Fry and the CPE Board requested DSP to provide further opinions as of that date. Copies of these opinions are attached as Schedules II and III to this Joint Proxy Statement.

Wood Gundy and Burns Fry will be paid by CPL fees of $3,500,000 for their advisory services, $1,166,666 of which has been paid and the balance of which becomes payable on the effective date of the merger. During the past two years, Wood Gundy and Burns Fry have underwritten the sale of securities and furnished assistance in the placing of commercial paper of and provided advisory services to CPL, CPE and certain CPE subsidiaries, for which Wood Gundy and Burns Fry have received $3,656,011 and $606,938, respectively. DSP will be paid by CPE a fee of $2,000,000 for its advisory services, $666,667 of which has been paid and the balance of which becomes payable on the effective date of the merger. During the past two years, DSP has underwritten the sale of securities and furnished assistance in the placing of commercial paper of and provided advisory services to certain CPE subsidiaries and CPL, for which DSP has received $2,642,535.

Shareholder Approvals

CPE – In order for the merger to proceed, the special resolution approving the Amalgamation Agreement must be passed by not less than two-thirds of the votes cast by the holders of the CPE Common Shares voting in respect of the resolution. With CPL holding approximately 69.6% of the CPE Common Shares, this vote is assured. For this reason, the Amalgamation Agreement is conditional on approval by a majority of the votes cast by such holders other than CPL voting in respect of the resolution. The special resolution also must be passed by separate class vote of the holder of CPE's Cumulative Redeemable Convertible Preferred Shares, Series B. The holder of these shares has indicated its intention to approve the special resolution. The text of the proposed special resolution is attached as Schedule IV to this Joint Proxy Statement.

CPL – The Amalgamation Agreement also is conditional on the approval of the issue of the CPL Ordinary Shares pursuant thereto by a majority of the votes cast by the Ordinary and Preference Shareholders voting together. This approval is called for by policies of stock exchanges on which CPL's shares are listed. If the approval is not obtained, the Amalgamation Agreement will not be implemented and the Ordinary Shares will not be issued pursuant thereto. The New York Stock Exchange requires that the total votes cast represent over 50% of the shares entitled to vote. In the unlikely event that the total votes cast were less than this percentage but with a majority approving the share issue, CPL and CPE would proceed with the merger. CPL would exert every reasonable effort to persuade the Exchange not to delist CPL's Ordinary Shares. In the unlikely event of such delisting, it is believed that other markets in the United States would be available for CPL's Ordinary Shares.

In addition, the CPL shareholders are being asked to pass a special resolution to amend CPL's articles to increase the maximum number of its directors to 30, although this is not a condition of the merger. The text of this proposed special resolution is attached as Schedule V to this Joint Proxy Statement. Under CPL's articles, at present the minimum number of directors is three and the maximum is 24. The actual number of directors is 23 as fixed by the Board in accordance with the General By-law of CPL. Subject to the amendment of the articles, the number of CPL directors will be fixed at 28 upon implementation of the merger. This is to permit the election of additional directors to the CPL Board as set forth below with a view to the benefits of their continued contributions to the affairs of Canadian Pacific. To become effective, the special resolution must be passed by a majority of not less than two-thirds of the votes cast by the Ordinary and Preference Shareholders voting together in respect of the resolution.

If the special resolution to increase the maximum number of directors is passed, Messrs. T. M. Galt, C. M. Leitch, Q.C., A. A. MacNaughton, J. L. Nichol, O.C., and R. D. Southern, who now are directors of CPE, will be nominated for election as directors of CPL effective upon implementation of the merger. Mr. Galt is Chairman and Chief Executive Officer of Sun Life Assurance Company of Canada, Mr. Leitch is a partner of the Macleod Dixon law firm, Mr. MacNaughton is Chairman and Chief Executive Officer of Genstar Corporation, Mr. Nichol is a corporate director, and Mr. Southern is Deputy Chairman and Chief Executive Officer of ATCO Ltd. The proposed terms of office of Messrs. Leitch and Nichol would end at the close of the first annual meeting of shareholders following their election, the terms of Messrs. Galt and MacNaughton would end at the close of the second such meeting and the term of Mr. Southern would end at the close of the third such meeting. If any of the nominees is unable or unwilling to serve, the persons named in the enclosed form of CPL proxy intend not to vote for a substitute nominee. The election requires a majority of the votes cast by the Ordinary and Preference Shareholders voting together. See Schedule VII to this Joint Proxy Statement for information relating, among other things, to the proposed nominees and to the directors of CPL continuing in office, executive compensation and certain transactions involving directors. For additional information respecting the proposed nominees, see CPE's Proxy Statement dated March 1, 1985 pages 4 through 7, which information is incorporated herein by reference, and "Interests of Directors and Officers". For additional information respecting CPL directors continuing in office, remuneration of directors and officers of CPL and certain transactions involving CPL, see CPL's Management Proxy Statement dated March 11, 1985 pages 4 through 13, which information is incorporated herein by reference.

The Amalgamation Agreement provides that it may be terminated by the directors of either of the amalgamating corporations at any time before the issue of a certificate of amalgamation, notwithstanding approval by shareholders. This could occur if directors determined that the amalgamation were no longer in the best interests of the corporation or its shareholders for reasons which could include a material change in the business or affairs of any of the parties to the Amalgamation Agreement, a change in the anticipated tax consequences of the amalgamation, or rights of dissent being exercised by CPE shareholders to a degree which would be unduly detrimental.

Income Tax Consequences

The following discussion of tax consequences is of a general nature and does not constitute advice to any particular shareholder. Shareholders should consult their own tax advisers. The discussion does not cover taxes of countries other than Canada, the United States or the United Kingdom, nor does it deal generally with provincial, state or local taxes. It also is subject to possible statutory or regulatory changes.

Canada

Tilley, Carson & Findlay, counsel to CPL, and Macleod Dixon, counsel to CPE, have advised that under the Income Tax Act of Canada, a CPE shareholder who receives CPL Ordinary Shares for CPE Common Shares held as capital property will not realize any capital gain or loss as a result of the merger. The cost to the shareholder of such CPL Ordinary Shares will be the same as the adjusted cost base of such CPE Common Shares immediately before the merger. The "tax-free zone" rules respecting CPE Common Shares acquired or deemed to have been acquired before 1972 will apply to the CPL Ordinary Shares to the same extent as those rules would have applied to the CPE Common Shares.

Under administrative practice of the Department of National Revenue, a CPE shareholder who receives at least one CPL Ordinary Share and who also receives cash instead of a fraction of a CPL Ordinary Share for CPE Common Shares held as capital property may treat the cash as proceeds of a partial disposition of the CPE Common Shares giving rise to a capital gain or loss, or may ignore any such capital gain or loss and reduce the cost base of the CPL Ordinary Shares by the amount of the cash.

An advance ruling has been obtained from the Department of National Revenue confirming the above consequences. Cash paid instead of any fractional share to non-residents of Canada will not be subject to Canadian withholding tax. The merger will not have any Canadian federal income tax consequences to CPL shareholders.

A. S. Kingsmill, Q.C., a director of CPL, is a partner of Tilley, Carson & Findlay. Partners and associates of that firm engaged in providing services in connection with the merger own 6,015 CPL Ordinary Shares and 2,638 CPE Common Shares. C. M. Leitch, Q.C., a director of CPE, is a partner of Macleod Dixon.

A ruling has been requested from the Quebec Minister of Revenue confirming that the merger will not affect shareholders who hold CPE Common Shares in a Quebec Stock Savings Plan (QSSP) at the time of the merger except in respect of a CPE Common Share for which cash is received, and that CPE Common Shares that are held in a QSSP may be replaced with CPL Ordinary Shares provided that the CPL Ordinary Share certificate is transmitted directly to the dealer having custody of the QSSP account.

United States

As described above, the amalgamation of CPE and CPS will be effected under the applicable provisions of the CBCA. Because of certain technical differences between Canadian and United States corporate law, there are no controlling precedents for applying the complex provisions of the United States Internal Revenue Code to the proposed amalgamation. Nonetheless, Sidley & Austin, United States counsel for CPL, and White & Case, United States counsel for CPE, have advised, in their respective opinions, that, subject to the discussions below pertaining to the "Section 367(b) Notice" and dissenters' rights, the amalgamation should be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, with the consequences for United States federal income tax purposes that:

(a) A United States shareholder of CPE will recognize no gain or loss upon the exchange of CPE Common Shares for CPL Ordinary Shares, except to the extent that gain or loss is recognized in respect of any cash received instead of a fractional share.

(b) The aggregate basis of the CPL Ordinary Shares received by a United States shareholder of CPE in the amalgamation (including any basis allocated to a fractional share interest) will equal the aggregate basis of the CPE Common Shares exchanged therefor.

(c) The holding period of the CPL Ordinary Shares (including any fractional share interest) received by a United States shareholder of CPE in the amalgamation will include the holding period of the CPE Common Shares exchanged therefor if such shares were capital assets in the hands of the exchanging shareholder.

(d) Cash received instead of a fractional CPL Ordinary Share will be treated as received in payment therefor. A United States shareholder will recognize gain or loss equal to the difference between the cash received and such shareholder's basis in the fractional share, and such gain or loss will be capital gain or loss if the exchanged share was a capital asset in the hands of the shareholder.

For United States federal income tax purposes, the amalgamation will not constitute a taxable event for any United States shareholder of CPL.

For the purposes of this discussion, a United States shareholder includes a United States citizen or resident, a United States corporation or other person who would be subject to United States federal income tax on the sale of such person's shares.

Temporary Treasury Regulation Section 7.367(b)-1(c) requires that a notice (the "Section 367(b) Notice") be filed by each United States shareholder of CPE who is required to file a United States federal income tax return for the taxable year in which the amalgamation occurs, if the shareholder realizes any gain on the exchange of CPE Common Shares for CPL Ordinary Shares, even though no gain is recognized on such exchange. The Section 367(b) Notice must be filed on or before the last date for filing (including extensions) the federal income tax return for the shareholder's taxable year in which the amalgamation occurs, either at the Internal Revenue Service Center where the shareholder files a return or with the District Director having jurisdiction over such return. If a shareholder required to file the Section 367(b) Notice does not properly file such notice, the Internal Revenue Service may seek to treat the exchange of CPE Common Shares for CPL Ordinary Shares as a taxable transaction with respect to such shareholder. CPL will provide a form of Section 367(b) Notice to each CPE shareholder of record with a United States address who receives CPL Ordinary Shares in the amalgamation.

The advice of Sidley & Austin and White & Case is based upon certain representations by CPL and CPE with respect to the business, assets and shareholders of CPL and CPE, including (i) the source of the cash to be used by CPE to retire its Cumulative Redeemable Convertible Preferred Shares, Series B, and to satisfy any obligations to the public shareholders of CPE who shall exercise their right of dissent and (ii) that none of CPL, CPE or the amalgamated corporation will pay any stock transfer taxes imposed on the public shareholders of CPE in connection with the amalgamation. In addition, in rendering such advice, Sidley & Austin and White & Case have relied upon certain advice as to matters of Canadian corporate law from CPL's and CPE's Canadian counsel and have assumed that: no United States shareholder owns, directly or indirectly, actually or constructively, 10% or more of the outstanding Ordinary Shares of CPL or the outstanding Common Shares of CPE; the public shareholders of CPE have no plan to sell or otherwise dispose of the CPL Ordinary Shares to be received in the amalgamation; and the amounts paid in respect of the exercise of dissenters' rights, the retirement of CPE's Cumulative Redeemable Convertible Preferred Shares, Series B, and CPE's costs and expenses in connection with the amalgamation will be less than 10% of the net assets of CPE and 30% of its gross assets, both determined on a fair market value basis.

United Kingdom

Slaughter and May, United Kingdom counsel to CPL, and Norton, Rose, Botterell & Roche, United Kingdom counsel to CPE, have advised that on the basis of the current law of the United Kingdom, the merger will constitute a "scheme of amalgamation" for the purposes of United Kingdom capital gains tax. Accordingly, a person holding CPE Common Shares as a capital asset who, together with his associates (if any), holds not more than 5% of the issued Common Shares of CPE will not effect a disposal as a result of receiving CPL Ordinary Shares under the merger. Such a shareholder will not, therefore, realise any chargeable gain (or allowable loss) by virtue of the merger (except possibly to a minimal extent in respect of cash received instead of a fraction of a CPL Ordinary Share). The Ordinary Shares of CPL which are issued to the shareholder will be treated for capital gains tax purposes as if they were the same asset as his former holding of Common Shares in CPE, acquired as those Common Shares were acquired.

The advice of Slaughter and May and Norton, Rose, Botterell & Roche is based on the assumption that, if any CPE shareholders exercise their right to dissent, the number of CPE Common Shares held by those shareholders will represent no more than an insignificant proportion of the total issued CPE Common Shares prior to the merger. Otherwise, the Inland Revenue may regard the merger as not constituting a "scheme of amalgamation" for the purposes of United Kingdom capital gains tax, the effect of which would be that any holder of CPE Common Shares who receives CPL Ordinary Shares under the merger might realise a chargeable gain (or allowable loss) by virtue of the merger being carried out.

The merger will have no United Kingdom capital gains tax consequences in respect of a person's holding of CPL shares.

Right of Dissent

Under section 184 of the CBCA, shareholders of CPE have the right to dissent in respect of the special resolution approving the Amalgamation Agreement. A shareholder who complies with that section is entitled, when the amalgamation becomes effective, to be paid the fair value of his shares, determined as of the close of business on the day before the special resolution is adopted. A dissenting shareholder may only claim under the section with respect to all the shares of a class held by him on behalf of any one beneficial owner and registered in the name of the dissenting shareholder. Shareholders of CPL do not have the right to dissent under section 184 in respect of the merger because CPL is not amalgamating.

To comply with section 184, a dissenting shareholder must: (a) send to CPE, at or before the Special Meeting of Shareholders of CPE, a written objection to the special resolution; (b) within 20 days after receiving notice from CPE or the amalgamated corporation that the special resolution has been adopted, or if such notice is not received, within 20 days after learning that the special resolution has been adopted, send to the corporation a written notice containing his name and address, the number and class of shares in respect of which he dissents, and a demand for payment of the fair value of such shares; and (c) within 30 days thereafter send the certificates representing the shares to the corporation or its transfer agent. On sending the notice containing the demand for payment, a dissenting shareholder ceases to have any other rights as a shareholder, except where he withdraws his notice before the corporation makes an offer to pay for his shares, where the corporation fails to make such an offer and he withdraws his notice, or where the directors terminate the Amalgamation Agreement, in which case his rights are reinstated.

The sending of a written objection to the special resolution does not deprive a shareholder of his right to vote thereon. A vote against the special resolution or execution of a proxy which is so voted does not in itself constitute a written objection. A vote for the special resolution or execution of a proxy which is so voted could constitute a waiver of the right of dissent. Not voting on the special resolution in person or by proxy does not constitute a waiver of the right of dissent.

The corporation's offer is to be sent not later than seven days after the later of the date on which the amalgamation becomes effective or the day the corporation receives the notice containing the demand for payment. If the corporation fails to make an offer, or if a dissenting shareholder fails to accept an offer, the corporation may, within 50 days after the amalgamation is effective, or within such further period as a court may allow, apply to a court to fix a fair value for the shares. If the corporation fails to apply to a court, a dissenting shareholder may apply to a court for the same purpose within a further period of 20 days or such further period as a court may allow. The application must be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

Reference is made to section 184 of the CBCA, which is attached as Schedule VI to this Joint Proxy Statement, for the complete text of the provisions conferring the right of dissent. Any shareholder desiring to exercise this right should seek legal advice since failure to comply properly with the provisions of the section could prejudice the right.

Exchange of CPE Share Certificates

On the effective date of the merger, holders of CPE Common Shares will become holders of CPL Ordinary Shares without further action on their part. As soon as practicable after that date, a letter of transmittal will be furnished to CPE shareholders for use in exchanging their CPE Common Share certificates for CPL Ordinary Share certificates. On return of a properly completed letter of transmittal with certificates representing the CPE Common Shares, certificates representing the appropriate number of CPL Ordinary Shares will be issued, together with a cheque instead of any fractional share.

Dividend Reinvestment and Share Purchase Plans

Both CPE and CPL have Dividend Reinvestment and Share Purchase Plans. With respect to the CPE plan, the next dividend record date would be December 18, 1985, with a dividend payment date of January 15, 1986. Optional cash payments would have to be received in the 30-day period beginning December 16, 1985 and ending January 14, 1986 to be accepted for investment on the next dividend payment date.

The CPE plan will be terminated when the merger becomes effective. Participants in the CPE plan will be entitled to enrol in the CPL plan and transfer shares held in the CPE plan to the CPL plan, or to receive a CPL share certificate for shares held in the CPE plan together with a cheque instead of any fractional CPL share. All CPE shareholders and all participants in the CPE plan will be furnished as soon as practicable after the merger with a full description of the CPL plan and an authorization form for the purpose of enrolling in the CPL plan if desired.

Under the CPL plan, dividends are reinvested in shares at 100% of market price, as compared with 95% under the CPE plan. Optional cash payments may be made not exceeding $20,000 per calendar year (as compared with $5,000 quarterly under the CPE plan) for purchases to be made on the 28th day of each month or the first business day thereafter (as compared with quarterly on dividend payment dates under the CPE plan).

The next CPL Ordinary Share dividend payment date is expected to be towards the end of January 1986. Under the dividend reinvestment feature of the CPL plan, an authorization form for participation ordinarily must be received by the record date for a particular dividend if reinvestment is to commence with that dividend. However, to accommodate CPE shareholders, where an authorization form is received by the fifth business day preceding the payment date for the January 1986 dividend, reinvestment will commence with that dividend. A participant in the CPE plan not desiring to enrol in the CPL plan will receive a CPL share certificate for shares held in the CPE plan together with a cheque instead of any fractional CPL share if the authorization form is not so received. The participant may obtain the share certificate and cheque earlier after written notice to the Secretary of CPL or of CPE.

Under the share purchase feature of the CPL plan, optional cash payments received before a purchase date will be invested as of the purchase date. The last purchase date in 1985 will be December 30 and the first purchase date in 1986 will be January 28. Optional cash payments received on or after a purchase date will be held for investment on the next purchase date.

Accounting Treatment

CPL will account for the transaction using the purchase method under generally accepted accounting principles. The reported income of CPL will include its additional interest in the results of CPE only from the date of the merger.

CPL Share Capital

CPL's authorized capital consists of an unlimited number of Ordinary Shares, a number of Preference Shares determined on the basis of a formula and 20,381,788 Preferred Shares, all without nominal or par value. As of October 16, 1985, there were issued 215,179,384 Ordinary Shares and 14,133,960 Preference Shares.

Ordinary Shares

Ordinary Shares may be issued in such amounts, at such times, to such persons, for such consideration and for such purposes as the Board of Directors of CPL may from time to time determine. Ordinary Shares have no pre-emptive, redemption or conversion rights. All Ordinary Shares must be issued as fully paid and non-assessable.

The holders of the Ordinary Shares are entitled to one vote per share at any meeting of shareholders of CPL except at separate meetings of or on separate votes by the holders of another class or series of shares. They are entitled to receive any dividend declared by CPL except dividends declared on another class or series of shares. Subject to the rights of the holders of shares of other classes, the holders of the Ordinary Shares would be entitled to receive the remaining property of CPL on dissolution.

Holders of Ordinary Shares do not have cumulative voting rights in the election of directors. Under CPL's by-laws, each director is elected to hold office for a term ending at the close of the third annual meeting of shareholders following his election, unless a term of shorter duration is stated at the time of his election, and the term of office of approximately one-third of the directors expires each year.

Under the CBCA, the rights attached to the Ordinary Shares may be changed with the approval of not less than two-thirds of the votes cast by the Ordinary and Preference shareholders voting together and by the Ordinary shareholders voting separately as a class. Under CPL's articles, no such separate class vote is required to create a new class of shares equal or superior to the Ordinary Shares, to increase the maximum number of authorized shares of any equal or superior class or to effect an exchange, reclassification or cancellation of all or part of the Ordinary Shares. Although a majority of the Ordinary Shares is customarily represented at CPL's meetings of

shareholders, CPL's by-laws provide that a quorum for any meeting of shareholders is at least two persons present in person and together representing not less than 25% of the shares entitled to be voted. Accordingly, depending on the number of Ordinary Shares represented at a shareholders' meeting to consider any change in the rights attached to the Ordinary Shares, it is possible for such rights to be changed with the vote of less than a majority of the issued Ordinary Shares.

The rights of the holders of the CPL Ordinary Shares are not materially different from the rights of the holders of the CPE Common Shares, subject to the different terms of the other classes of shares of CPL and of CPE and the matters set forth in the immediately preceding paragraph, and there is no difference between holding CPL Ordinary Shares and CPE Common Shares for purposes of Canadian, United States or United Kingdom income taxes. No limitation on the rights of non-resident or foreign owners to hold or vote Ordinary Shares is imposed by the articles of CPL or the laws of Canada, except in the case of an acquisition of control of CPL.

Preference Shares

The formula for the authorized number of Preference Shares reflects provisions of CPL's charter prior to its continuance under the CBCA and involves the number of issued Ordinary Shares. The authorized number is such that the amount of preference stock outstanding may equal but shall not exceed at any time one-half the aggregate amount of the ordinary stock then outstanding and that the authorized capital shall be decreased by preference stock surrendered in consideration of preferred shares and cancelled prior to the continuance, for such purpose each Canadian Dollar Preference Share and each Sterling Preference Share being deemed to be the equivalent of $1 and £0.33⅓ respectively of preference stock and each Ordinary Share being deemed to be the equivalent of $1.66⅔ of ordinary stock. Preference Shares may be issued for any purpose involving the raising of new capital, the expenditure of which shall have been previously authorized by the shareholders, either in Canadian or United States currency or Sterling money of Great Britain. Of the 14,133,960 issued Preference Shares, there are 11,539,191 Canadian Dollar and 2,594,769 Sterling Preference Shares.

Every Canadian Dollar Preference Share and every Sterling Preference Share gives the same rights as to voting as are given by an Ordinary Share. As to dividends, the Preference Shares take priority over Ordinary Shares up to, but not exceeding 4% per annum, being $0.04 per Canadian Dollar Preference Share and £0.01⅓ per Sterling Preference Share per annum, and cannot receive at any time a dividend at a higher rate than 4% per annum or in excess of these amounts. Dividends on the Preference Shares are not cumulative. The rights of the holders of the Preference Shares on dissolution would be determined on the basis of the provisions applicable to the preference stock of CPL immediately preceding its continuance under the CBCA and in accordance with the provisions applicable to the other classes of shares and for that purpose each Canadian Dollar Preference Share would be deemed to be $1 of preference stock and each Sterling Preference Share would be deemed to be £0.33⅓ of preference stock and the provisions applicable to the Ordinary Shares and Preferred Shares would be deemed to be those applicable to the ordinary stock and preferred shares respectively of CPL immediately preceding the continuance. The original charter of CPL did not contemplate its dissolution.

Preferred Shares

The Preferred Shares may be issued from time to time in one or more series of such numbers of shares and with such rights, privileges, restrictions and conditions attaching thereto as shall be prescribed by the directors of CPL. The Preferred Shares would be entitled to preference over the Ordinary Shares with respect to priority in payment of dividends and might also be given other preferences over the Ordinary Shares as may be fixed in the case of each series. In the event of any reduction of capital of CPL, the holders of the Preferred Shares would be entitled to receive, in priority to any payment of capital to the holders of the Ordinary Shares, an amount equal to their redemption price, but would have no further right to participate in profits or assets. Holders of Preferred Shares would not have any voting rights and would not be entitled to receive notice of or attend any meeting of shareholders except in certain limited circumstances. The rights of the holders of the Preferred Shares on dissolution would be determined on the basis of the provisions applicable to the preferred shares of CPL immediately preceding its continuance under the CBCA.

CPE Common Shares

CPE is authorized to issue an unlimited number of Common Shares and 12,500,000 Preferred Shares, all without nominal or par value. As of October 16, 1985, there were issued 155,078,813 Common Shares and 5,000,000 Cumulative Redeemable Convertible Preferred Shares, Series B.

The holders of CPE Common Shares are entitled to one vote per share at any general meeting of shareholders of CPE, to receive any dividend declared by CPE, other than a dividend declared in respect of the Preferred Shares, and to receive, subject to the rights of the holders of the Preferred Shares, the remaining property of CPE on dissolution. The holders of the CPE Common Shares have no pre-emptive, redemption or conversion rights. All CPE Common Shares must be issued as fully paid and non-assessable.

Stock Exchange Listings

The issued CPE Common Shares are listed on the Alberta, Montreal, Toronto, Vancouver, New York, London and Amsterdam stock exchanges. The issued CPL Ordinary Shares are listed on each of these exchanges, other than Alberta and Amsterdam. In connection with the amalgamation, CPL is making applications for the listing of the additional CPL Ordinary Shares issued to CPE shareholders in the amalgamation on the Montreal, Toronto, Vancouver, New York and London stock exchanges. Application also is being made for the listing of the CPL Ordinary Shares on The Alberta Stock Exchange. The CPE Common Shares will be delisted.

Eligibility for Investment

In the opinion of Tilley, Carson & Findlay, counsel for CPL, and Macleod Dixon, counsel for CPE, at the date hereof the Ordinary Shares of CPL are eligible investments, without resort to the so-called "basket" provisions but subject to general investment provisions, for:

(a) insurance companies registered under the Canadian and British Insurance Companies Act (Canada) or the Foreign Insurance Companies Act (Canada) and for certain insurance companies governed by the Insurance Act (Ontario), the Insurance Act (Alberta) or the Insurance Act (British Columbia);

(b) loan companies regulated under the Loan Companies Act (Canada), trust companies regulated under the Trust Companies Act (Canada), loan corporations and trust companies registered under the Loan and Trust Corporations Act (Ontario) and provincial companies governed by the Trust Companies Act (Alberta);

(c) pension plans registered under the Pension Benefits Standards Act (Canada), An Act respecting supplemental pension plans (Quebec), the Pension Benefits Act (Ontario) and the Pension Benefits Act (Alberta); and

(d) trustees whose investment powers are governed by the Trustee Act (Ontario) and the Trustee Act (Alberta).

In the opinion of such counsel, the provisions of An Act respecting insurance (Quebec) would not preclude the investment by an insurer in the Ordinary Shares, but subject to the general investment provisions of that Act. In the opinion of such counsel, such Ordinary Shares also are qualified investments for trusts governed by registered retirement savings plans, deferred profit sharing plans and registered retirement income funds under the Income Tax Act (Canada).

Canadian Pacific Limited

CPL is the parent corporation of the Canadian Pacific group, with approximately 69.6% of CPE's Common Shares. CPL owns and operates CP Rail and has a 55.7% interest in Soo Line Corporation. CPL is a 50% partner in CNCP Telecommunications. Through subsidiaries, it carries on airline, hotel, bulk and container shipping and trucking operations. Detailed information respecting CPL is set forth in its Annual Information Form dated May 1, 1985 and the other documents which accompany this Joint Proxy Statement. CPL's consolidated financial statements for the years ended December 31, 1984 and 1983 and for the periods ended June 30, 1985 and 1984 are contained in its 1984 Annual Report to Shareholders and its Report to Shareholders for the six months ended June 30, 1985 which accompany this Joint Proxy Statement.

The following table sets forth as of June 30, 1985 CPL's existing consolidated capitalization and pro forma consolidated capitalization after giving effect to the retirement of CPE's Cumulative Redeemable Convertible Preferred Shares, Series B and to the merger:

	June 30, 1985 (in thousands) (Unaudited) Historical	Pro Forma
Short term debt	$ 1,382,930	$ 1,382,930
Long term debt	5,819,119	5,819,119
Perpetual 4% Consolidated Debenture Stock	170,692	170,692
Minority shareholders' interest in subsidiary companies	3,057,466	1,976,920
Shareholders' equity		
Preference Shares – 4% non-cumulative		
Authorized – a number determined by a formula		
Issued – 2,561,769 Sterling Preference Shares	4,156	4,156
– 10,713,816 Canadian dollar Preference Shares	10,714	10,714
	14,870	14,870
Ordinary Shares		
Authorized – an unlimited number of shares without nominal or par value		
Issued – 214,986,840 (pro forma 293,941,474) shares	358,311	692,344
Premium on securities	115,310	1,182,722
Other paid-in surplus	162,288	162,288
Foreign currency translation adjustments	281,995	281,995
Retained income	3,694,436	3,692,480
Total shareholders' equity	4,627,210	6,026,699
Total capitalization	$ 15,057,417	$ 15,376,360

The following table presents selected historical financial information for CPL. The table should be read in conjunction with the historical financial statements and notes thereto included elsewhere or incorporated by reference in this Joint Proxy Statement.

	Six months ended June 30, 1985 (Unaudited)	Year ended December 31 1984	1983	1982	1981	1980
	(in thousands – except per share amounts)					
Revenues	$ 7,570,497	$14,635,095	$12,759,297	$12,301,895	$12,336,266	$ 9,984,546
Net income – Canadian GAAP	141,941	376,903	143,592	188,294	485,579	583,157
– United States GAAP	117,753	340,504	98,716	96,442	487,287	576,558
Earnings per Ordinary Share						
– Canadian GAAP	0.66	1.75	0.66	0.87	2.25	2.70
– United States GAAP	0.55	1.58	0.45	0.44	2.26	2.67
Total assets	20,149,398	18,796,122	17,601,949	17,273,034	16,330,185	13,038,501
Long term debt, debenture stock and redeemable preferred shares	5,989,811	5,486,298	5,417,908	5,442,094	4,670,959	2,997,035
Cash dividends declared per Ordinary Share						
– Canadian dollars	0.24	0.47	0.47	0.55	0.63	0.62
– United States dollars	0.17	0.36	0.38	0.44	0.53	0.53
Book value per Ordinary Share	21.45	20.92	18.72	18.43	18.13	16.22
Number of Ordinary Shares	214,987	214,987	214,987	214,987	214,987	214,987

Notes:

1. Book value and earnings per Ordinary Share, dividend data and number of shares reflect the three-for-one share split of CPL's Ordinary Shares effective May 17, 1985.
2. A discussion of the differences between generally accepted accounting principles (GAAP) in Canada and the United States appears on page 40 of CPL's 1984 Annual Report to Shareholders incorporated by reference in this Joint Proxy Statement. The effect of differences between Canadian and United States GAAP on per share book values is not significant.

Canadian Pacific Enterprises Limited

CPE is a diversified holding corporation with interests in oil and gas, mines and minerals, forest products, iron and steel, real estate, agriproducts and other businesses. Detailed information respecting CPE is set forth in its Annual Information Form dated April 26, 1985 and the other documents which accompany this Joint Proxy Statement. CPE's consolidated financial statements for the years ended December 31, 1984 and 1983 and for the periods ended June 30, 1985 and 1984 are contained in its 1984 Annual Report to Shareholders and its Report to Shareholders for the six months ended June 30, 1985 which accompany this Joint Proxy Statement.

The following table sets forth as of June 30, 1985 CPE's existing consolidated capitalization:

	June 30, 1985 (in thousands) (Unaudited)
Short term debt	$ 843,322
Long term debt	3,884,560
Outside shareholders' interest in subsidiary companies	1,753,996
Shareholders' equity	
Preferred Shares	
Authorized – 12,500,000 shares	
Issued – 5,000,000 Cumulative Redeemable Convertible, Series B	100,000
Common Shares	
Authorized – Unlimited	
Issued – 154,796,597	1,091,480
Paid-in surplus	81,846
Retained income	2,066,080
Foreign currency translation adjustments	31,016
Total shareholders' equity	3,370,422
Total capitalization	$ 9,852,300

The following table presents selected historical financial information for CPE. The table should be read in conjunction with the historical financial statements and notes thereto included elsewhere or incorporated by reference in this Joint Proxy Statement.

	Six months ended June 30, 1985 (Unaudited)	Year ended December 31				
		1984	1983	1982	1981	1980
	(in thousands – except per share amounts)					
Revenues	$ 4,985,549	$ 9,856,057	$ 8,652,239	$ 8,494,663	$ 8,558,759	$ 6,659,250
Net income – Canadian GAAP	139,684	307,126	94,301	150,144	404,600	491,257
– United States GAAP	118,217	276,826	42,001	64,244	394,900	476,057
Earnings per Common Share						
– Canadian GAAP	0.88	1.96	0.61	1.05	2.87	3.63
– United States GAAP	0.74	1.76	0.27	0.45	2.80	3.52
Total assets	12,555,027	12,357,397	11,933,895	12,017,478	11,241,120	8,496,146
Long term debt and redeemable preferred shares	3,984,560	3,984,489	3,933,127	3,920,541	3,309,945	1,831,381
Cash dividends declared per Common Share						
– Canadian dollars	0.40	0.80	0.80	0.96	1.12	1.005
– United States dollars	0.29	0.61	0.65	0.77	0.94	0.86
Book value per Common Share	21.13	20.57	19.27	19.44	19.53	17.76
Number of Common Shares						
– actual	154,797	154,506	153,941	153,474	141,356	140,661
– average	154,701	154,262	153,736	142,990	140,972	135,335

Notes:

1. A discussion of the differences between generally accepted accounting principles (GAAP) in Canada and the United States appears on page 35 of CPE's 1984 Annual Report to Shareholders incorporated by reference in this Joint Proxy Statement. The effect of differences between Canadian and United States GAAP on per share book values is not significant.
2. Included in 1983 net income for CPE is an extraordinary item of $31,435,000 (equivalent to $0.20 per Common Share) representing the gain on the sale of Canadian Pacific Hotels Limited to Canadian Pacific Air Lines, Limited, a wholly owned subsidiary of CPL, effective December 1, 1983.

Pro Forma Financial Information (Unaudited)

The following pro forma financial information as of June 30, 1985 and for the periods ended June 30, 1985 and December 31, 1984 is based on the consolidated balance sheet as of June 30, 1985 and statements of consolidated income for the periods ended June 30, 1985 and December 31, 1984 of CPL incorporated by reference in this Joint Proxy Statement and has been prepared to reflect the retirement of CPE's Cumulative Redeemable Convertible Preferred Shares, Series B and the merger of CPE and CPL. The pro forma adjustments are described in Note 1. This financial information should be read in conjunction with the financial statements and notes thereto included elsewhere or incorporated by reference in this Joint Proxy Statement.

Canadian Pacific Limited
Pro Forma Condensed Consolidated Balance Sheet
June 30, 1985 (Unaudited)

	Historical	Adjustments (Note 1)	Pro Forma
		(in thousands)	
Assets			
Current assets	$ 4,889,912	$ (103,879)	$ 4,786,033
Properties	14,201,493	422,822	14,624,315
Other assets and deferred charges	1,057,993		1,057,993
	$ 20,149,398	$ 318,943	$ 20,468,341
Liabilities			
Current liabilities	$ 4,065,770	$	$ 4,065,770
Long term obligations and deferred items	8,398,952		8,398,952
Minority shareholders' interest in subsidiary companies	3,057,466	(1,080,546)	1,976,920
Shareholders' equity	4,627,210	1,399,489	6,026,699
	$ 20,149,398	$ 318,943	$ 20,468,341

Pro Forma Condensed Statement of Consolidated Income
(in thousands – except per share amounts)
(Unaudited)

	Six months ended June 30, 1985			Year ended December 31, 1984		
	Historical	Adjustments (Note 1)	Pro Forma	Historical	Adjustments (Note 1)	Pro Forma
Revenues	$7,570,497	$ (4,960)	$7,565,537	$14,635,095	$ (7,702)	$14,627,393
Expenses exclusive of depreciation, depletion & amortization and income taxes	6,612,540		6,612,540	12,686,029		12,686,029
Depreciation, depletion & amortization	489,699	8,418	498,117	875,117	16,636	891,753
Income taxes	234,515	(2,367)	232,148	517,957	(3,573)	514,384
	7,336,754	6,051	7,342,805	14,079,103	13,063	14,092,166
Net income before minority interests	233,743	(11,011)	222,732	555,992	(20,765)	535,227
Minority interests	(91,802)	44,463	(47,339)	(179,089)	95,694	(83,395)
Net income – Canadian GAAP	$ 141,941	$33,452	$ 175,393	$ 376,903	$74,929	$ 451,832
Adjustments to reflect differences between Canadian and United States GAAP (Note 2)	(30,675)	(698)	(31,373)	(45,504)	(1,206)	(46,710)
Less: CPE minority share of adjustments	6,487	(6,487)		9,105	(9,105)	
	(24,188)	(7,185)	(31,373)	(36,399)	(10,311)	(46,710)
Net income – United States GAAP	$ 117,753	$26,267	$ 144,020	$ 340,504	$64,618	$ 405,122
Earnings per Ordinary Share (Note 3)						
Canadian GAAP	$ 0.66		$ 0.60	$ 1.75		$ 1.53
United States GAAP	0.55		0.49	1.58		1.37
Number of Ordinary Shares	214,987		293,941	214,987		293,941

Notes:

1. Pro forma adjustments are made to reflect:
   (a) The retirement, at a premium of $2,810,000, of CPE's Cumulative Redeemable Convertible Preferred Shares, Series B from working capital.
   (b) The issuance of 78,954,634 Ordinary Shares of CPL to the minority common shareholders of CPE.
   (c) The allocation of the purchase cost to the net assets of CPE.
   (d) Additional depreciation and depletion resulting from the increased cost assigned to the net assets of CPE.
   (e) The elimination of the minority common shareholders' interest in CPE.
2. A discussion of the differences between GAAP in Canada and the United States appears on page 40 of CPL's 1984 Annual Report to Shareholders incorporated by reference in this Joint Proxy Statement.
3. Historical earnings per share data reflect the three-for-one share split of CPL's Ordinary Shares effective May 17, 1985. Pro forma earnings per share data also reflect the additional number of Ordinary Shares to be issued by CPL as outlined in Note 1 above.

Comparative Per Share Data

The information presented in this tabulation should be read in conjunction with the pro forma financial information and the separate financial statements of the respective companies and notes thereto included elsewhere or incorporated by reference in this Joint Proxy Statement. Per share information for CPL reflects the three-for-one share split of CPL's Ordinary Shares effective May 17, 1985.

	CPL Per Ordinary Share		CPE Per Common Share		Pro forma earnings after giving effect to the issue of 1.675 CPL Ordinary Shares for each CPE Common Share		Dividend equivalent to cash dividend paid on 1.675 CPL Ordinary Shares
					CPL		
	Earnings	Dividends	Earnings	Dividends	Per Ordinary Share	Per 1.675 Ordinary Shares	
Canadian GAAP							
Year 1984	$1.75	$0.47	$1.96	$0.80	$1.53	$2.57	$0.78
Six months ended June 30, 1985	0.66	0.24	0.88	0.40	0.60	1.00	0.40
United States GAAP							
Year 1984	1.58	0.47	1.76	0.80	1.37	2.30	0.78
Six months ended June 30, 1985	0.55	0.24	0.74	0.40	0.49	0.82	0.40

On June 30, 1985 the book value of each CPL Ordinary Share was $21.45 and the book value of each CPE Common Share was $21.13. The pro forma book value of each CPL Ordinary Share as of such date after reflecting the retirement of CPE's Cumulative Redeemable Convertible Preferred Shares, Series B and the merger of CPE and CPL would be $20.45. The equivalent pro forma book value of each CPE Common Share would be $34.26 based upon the issuance of 1.675 Ordinary Shares of CPL for each Common Share of CPE. The effect of differences between Canadian and United States GAAP on per share book values is not significant.

The average number of shares used for the purposes of the historical calculation for CPL was 214,986,840 for 1984 and 1985 and for CPE was 154,262,083 for 1984 and 154,701,311 for 1985. The number of shares used for purposes of the pro forma calculations was 293,941,474.

Recent Developments

For the six months ended June 30, 1985 CPL's consolidated net income was up from the corresponding period of 1984. Nevertheless, second quarter earnings showed a decline from the comparable quarter of 1984. Since June 30, 1985 the decline has accelerated and earnings for the third quarter will show a significant reduction from the corresponding period last year. Income from CP Rail has been adversely affected by reduced traffic volumes, particularly grain reflecting the drought in the Prairie provinces during the past two summers and weakened export demand. While it is anticipated that traffic volumes will improve in the fourth quarter, income will be lower than in the corresponding period of 1984. Income from CPE in both the third and fourth quarters is expected to be lower than in the corresponding periods of 1984.

For the six months ended June 30, 1985 CPE's consolidated net income was up over the corresponding period of 1984. However, second quarter results decreased compared with both the same quarter of 1984 and the first quarter of 1985. In the period since June 30, 1985, there has been a continuation of the declining earnings trend reflected in the second quarter results, as demand for base metals, pulp and steel has remained weak. In the fourth quarter of 1985, CPE's net income is expected to be lower than in the corresponding period of 1984 due to the inclusion of non-recurring gains in the last quarter of 1984.

The oil and gas industry is now operating under the new energy agreement announced in March 1985 among the governments of Canada and certain provinces. The new agreement, referred to as the "Western Accord", substantially replaced the National Energy Program of October 1980. The Western Accord provided for the deregulation of all oil prices effective June 1, 1985. Such deregulated oil prices which are negotiated between buyers and sellers are susceptible to movements in world oil prices and, therefore, a decline in world prices may result in declining domestic prices. The Western Accord also provided for the development of a more flexible market-oriented pricing mechanism for natural gas on or before November 1, 1985, the phasing out of the Petroleum and Gas Revenue Tax (PGRT) on production found before April 1, 1985, the elimination of PGRT on oil and gas production found after April 1, 1985, and the termination of both the federal and Alberta Petroleum Incentives Programs effective March 31, 1986. In June 1985, the Government of Alberta announced royalty rate reductions, royalty holidays and enhanced tax credits for production from Crown lands in the province. In mid-1985, the Government of Saskatchewan announced that it was extending the royalty/tax holiday for new oil wells to December 31, 1986 and natural gas price incentives to encourage self-sufficiency in that province.

In May 1985, CPL and Canadian National Railway Company (CN) made a joint proposal to purchase Teleglobe Canada from the Government of Canada. Teleglobe Canada provides overseas telecommunications services from Canada. Proposals have been made by other parties as well. Further proposals have been invited and CPL intends to respond, both jointly with CN and by itself.

In July 1985, the Government of Canada released a position paper entitled "Freedom to Move – a framework for transportation reform", outlining revisions to Canada's transportation policy. Key thrusts included more competition, reduced economic regulation and a greater reliance on market forces to result in more competitive prices and a wider range of services. The paper covers railway, air, truck and marine transportation. The Government is receiving public response and has stated its intention to introduce legislation early in 1986. Given the status of the matter, it is too early to assess its impact on CPL.

PanCanadian Petroleum Limited, which is 87% owned by CPE, now follows the full cost method of accounting whereby all costs related to the exploration for and development of conventional oil and natural gas reserves are capitalized on a world-wide cost centre basis. In July 1985, the Canadian Institute of Chartered Accountants issued a Comment Draft on Full Cost Accounting in the Oil and Gas Industry. After consideration of public responses, a guideline or task force report on the application of full cost accounting may be issued before the end of 1985. The Comment Draft indicated that any accounting changes required to comply with the guideline could be implemented prospectively or retroactively. Based upon the accounting principles suggested in the Comment Draft, neither method of application would affect reported cash flows from operations or the underlying value of the assets of CPE. If the proposed changes are adopted retroactively, consolidated retained earnings would be reduced and future reported earnings increased by amounts which, respectively, should not be material to CPE. If prospective application were adopted, earnings in the year of adoption would be reduced by an amount which could be significant in relation to that year's net earnings but should not be material to CPE's overall financial position. Earnings, after the year of adoption, should be higher if this method of application were adopted. It is anticipated that any changes required would be adopted retroactively.

On October 8, 1985, Canadian Pacific Air Lines, Limited (CP Air) announced a merger proposal with Nordair Inc. The transaction is subject to the negotiation of a definitive agreement between the companies and the approval of the Canadian Transport Commission. Under the terms of the proposal, the issued Nordair common shares would be exchanged for CP Air retractable convertible preferred shares. Nordair has routes in Quebec and Ontario. In 1984, Nordair had revenues of $180 million and a net profit of $2.5 million.

Share Market Prices

The following table sets forth the high and low sales prices for each quarterly period within the current and two previous years for the CPL Ordinary Shares and the CPE Common Shares as recorded by The Toronto Stock Exchange:

	CPL(1)		CPE	
	High	Low	High	Low
1985 Fourth Quarter (to October 15)	$16.500	$15.875	$27.000	$26.000
Third Quarter	19.875	16.000	29.625	25.125
Second Quarter	21.750	18.500	30.625	27.500
First Quarter	21.250	16.167	29.250	23.375
1984 Fourth Quarter	16.708	15.000	25.125	22.375
Third Quarter	16.083	12.375	24.250	18.625
Second Quarter	14.875	12.750	22.375	19.125
First Quarter	17.875	14.083	25.500	20.875
1983 Fourth Quarter	17.750	15.542	24.500	20.750
Third Quarter	17.250	14.583	25.875	20.750
Second Quarter	16.667	14.042	25.750	21.500
First Quarter	14.833	11.750	22.750	17.625

(1) Adjusted to reflect the three-for-one subdivision of CPL's Ordinary Shares effective May 17, 1985.

Set forth below are the closing sale prices of the CPL Ordinary Shares (on an historical basis) and the CPE Common Shares (both on an historical and an equivalent per share basis) on The Toronto Stock Exchange on September 6, 1985, the last trading day preceding the public announcement of the proposed merger, and on October 15, 1985, the last trading day preceding the date of this Joint Proxy Statement:

	CPL Ordinary Shares	CPE Common Shares	CPE Common Shares Pro Forma (1)
September 6, 1985	$17.750	$26.375	$29.731
October 15, 1985	$16.000	$26.250	$26.800

(1) Based upon the exchange ratio of 1.675 CPL Ordinary Shares for each CPE Common Share.

Interests of Directors and Officers

The following table sets forth as of October 16, 1985 shareholdings of the directors and officers (and their associates) of CPL and of CPE in CPE and CPL:

	CPE Common Shares	CPL Ordinary Shares
R. S. Allison President, CP Rail	600	—
J. C. Anderson Vice-President Personnel of CPL	1,106	75
M. Norman Anderson Director of CPE	1,000	3,000
Lloyd I. Barber, O.C., Ph.D. Director of CPL	—	6,000

	CPE Common Shares	CPL Ordinary Shares
L. T. Beare Vice-President and General Counsel of CPE	—	—
K. S. Benson Vice-President Administration and Secretary of CPE	—	—
J. D. Bromley Senior Regional Vice-President Pacific, CP Rail	—	—
F. S. Burbidge Director of CPL and CPE, Chairman of CPL	4,894	20,190
James W. Burns Director of CPL	—	2,000
Robert W. Campbell Director of CPL and CPE, Chairman and Chief Executive Officer of CPE	517	6,000
J. P. T. Clough Vice-President Finance and Accounting of CPL	4,951	1,500
D. C. Coleman Vice-President Eastern Region, CP Rail	546	—
R. Colosimo Vice-President Industrial Relations, CP Rail	420	1
D. J. Deegan Secretary of CPL	—	—
Paul Desmarais, O.C. Director of CPL and CPE	1,000	6,000
S. E. Eagles Director and President of CPE	2,000	—
C. A. Fielding(1) Director of CPL	—	2,069,314
J. Fox Vice-President – Engineering, Special Projects, CP Rail	11	—
Thomas M. Galt Director of CPE	1,126	3,000
J. H. Geddis Vice-President Transportation Development, CP Rail	800	825
R. C. Gilmore Executive Vice-President, CP Rail	387	—
J. F. Hankinson Vice-President Finance and Accounting of CPE	718	—
Allard Jiskoot Director of CPL	—	15,000
J. P. Kelsall Vice-President Operation and Maintenance, CP Rail	—	1

	CPE Common Shares	CPL Ordinary Shares
A. S. Kingsmill, Q.C. Director of CPL	2,638	6,000
C. Merv Leitch, Q.C. Director of CPE	100	2,000
John Macnamara Director of CPE	488	—
Angus A. MacNaughton Director of CPE	2,000	2,000
Donald C. Matthews Director of CPL	—	6,300
J. A. McDonald Vice-President Industry Relations of CPL	1,010	—
W. Earle McLaughlin, O.C. Director of CPL and CPE	20,880	15,000
Stanley A. Milner Director of CPL	—	12,000
J. H. Moore Director of CPL	3,000	6,000
William D. Mulholland Director of CPL	—	9,000
C. R. O. Munro, Q.C. Vice-President Law and General Counsel of CPL	—	—
Paul A. Nepveu Director of CPE	2,066	750
John L. Nichol, O.C. Director of CPE	—	4,500
R. A. Norris Comptroller of CPE	6	—
Paul L. Paré, O.C. Director of CPL and CPE	4,000	6,000
C. R. Pike Vice-President Prairie Region, CP Rail	335	—
The Rt. Hon. Lord Polwarth, T.D., D.L. Director of CPL	—	6,000
Claude Pratte, Q.C. Director of CPL and CPE	110,000	39,501
C. Douglas Reekie Director of CPL and CPE	1,415	6,072
R. T. Riley Vice-President Corporate of CPL	2,379	4
R. J. Ritchie Vice-President Marketing and Sales, CP Rail	61	—

	CPE Common Shares	CPL Ordinary Shares
Lucien G. Rolland, O.C. Director of CPL	25	15,000
Thomas G. Rust Director of CPL	—	6,000
I. B. Scott Chairman and Chief Executive Officer, CP Rail	400	—
G. F. Sekely Vice-President Computers and Communications, CP Rail	—	—
F. H. Sherman Director of CPL	—	6,000
D. E. Sloan Treasurer of CPL	100	—
R. D. Southern Director of CPE	9,000	2,000
W. W. Stinson Director of CPL and CPE, President and Chief Executive Officer of CPL	856	12,238
J. Thomson Comptroller of CPL	2,025	600
Jean Casselman Wadds, O.C. Director of CPL	—	6,000
F. Wallace Vice-President Purchases and Materials, CP Rail	—	—
Ray D. Wolfe, C.M. Director of CPL and CPE	10,000	19,429
B. J. Zafirian Treasurer of CPE	—	—

(1) Mr. Fielding also beneficially owns or exercises control or direction over 10,685,099 CPL Preference Shares.

Directors and executive officers (and their affiliates) of CPL and of CPE hold or are deemed under regulations of the SEC to hold 26,040,903 (11.36%) of the CPL Ordinary and Preference Shares and 2,065,177 (1.33%) of the CPE Common Shares entitled to vote. None of such persons has indicated an intention to vote such shares otherwise than for the merger.

For information respecting the identity of directors and executive officers of CPL and CPE, respectively, their compensation, insurance and other matters and certain transactions with CPL, CPE or their affiliates see, in the case of CPL, Schedule VII to this Joint Proxy Statement and its Management Proxy Statement dated March 11, 1985 pages 3 through 13 and, in the case of CPE, its Proxy Statement dated March 1, 1985 pages 3 through 14, which information is incorporated herein by reference.

Experts

The consolidated financial statements and schedules included or incorporated by reference in CPL's Annual Report on Form 10-K and in CPE's Annual Report on Form 10-K incorporated by reference in this Joint Proxy Statement have been examined by Price Waterhouse, Chartered Accountants, as stated in their reports incorporated herein and therein by reference. The consolidated financial statements and schedules have been so incorporated by reference in reliance upon such reports given upon the authority of said firm as experts in accounting and auditing. Representatives of Price Waterhouse are expected to be present at the shareholders' meetings, with the opportunity to make a statement if they so desire and to respond to appropriate questions.

Directors' Approvals

Information contained or referred to in this Joint Proxy Statement with respect to CPL and CPE has been furnished by CPL and CPE respectively.

For the purposes of United Kingdom legislation, the directors of CPL and the directors of CPE, who are expressly identified as directors of CPL or CPE on pages 17 to 20 of this Joint Proxy Statement, are the persons responsible for the information contained or incorporated by reference herein relating to their respective companies. To the best of the knowledge and belief of the directors of CPL and CPE (who have taken all reasonable care to ensure that such is the case), the information for which the directors of CPL and CPE are accordingly responsible is in accordance with the facts and does not omit anything likely to affect the import of the information for which the directors of CPL and CPE are respectively responsible.

The contents and the sending of this Joint Proxy Statement have been approved by the directors of CPL and of CPE.

D. J. Deegan,
Secretary
Canadian Pacific Limited

K. S. Benson,
Vice-President Administration and Secretary
Canadian Pacific Enterprises Limited

October 16, 1985

Schedule I

Amalgamation Agreement

This Agreement made as of October 16, 1985.

Among:

Canadian Pacific Enterprises Limited,
incorporated under the laws of Canada,

(hereinafter called "CPE"),

Of The First Part,

and

Canadian Pacific Limited,
incorporated under the laws of Canada,

(hereinafter called "CPL"),

Of The Second Part,

and

CPS Limited,
incorporated under the laws of Canada,

(hereinafter called "CPS"),

Of The Third Part.

WHEREAS the authorized capital of CPE consists of 12,500,000 Preferred Shares and an unlimited number of Common Shares, of which there are issued as of the date hereof 5,000,000 Cumulative Redeemable Convertible Preferred Shares, Series B and 155,078,813 Common Shares, of which 107,941,718 Common Shares are held by CPL;

AND WHEREAS the authorized capital of CPL consists of 20,381,788 Preferred Shares, a number of Preference Shares determined on the basis of a formula and an unlimited number of Ordinary Shares, of which there are issued as of the date hereof 14,133,960 Preference Shares and 215,179,384 Ordinary Shares;

AND WHEREAS the authorized capital of CPS consists of an unlimited number of Common Shares, of which 1,000 are issued and held by CPL;

AND WHEREAS it is proposed that CPE and CPS amalgamate and that shareholders of CPE become shareholders of CPL;

NOW THEREFORE THIS AGREEMENT WITNESSETH as follows:

1. CPE and CPS (hereinafter together called the "Amalgamating Corporations") shall amalgamate pursuant to the Canada Business Corporations Act and continue as one corporation (hereinafter called the "Amalgamated Corporation") upon and subject to the terms and conditions hereinafter set forth.

2. The name of the Amalgamated Corporation shall be Canadian Pacific Enterprises Limited – Entreprises Canadien Pacifique Limitée.

3. The registered office of the Amalgamated Corporation shall be situated in the City of Calgary in the Province of Alberta.

4. The Amalgamated Corporation shall be authorized to issue an unlimited number of Common Shares.

5. (a) On the date shown in the certificate of amalgamation issued in respect of the Amalgamated Corporation (hereinafter called the "Effective Date"):

(i) the holders of the CPE Common Shares (other than CPL) shall receive 1.675 CPL Ordinary Shares for each CPE Common Share instead of securities of the Amalgamated Corporation, subject to clause 5(b), and the CPE Common Shares (other than those held by CPL) shall be cancelled;

(ii) the CPE Common Shares held by CPL shall be converted into one Common Share of the Amalgamated Corporation;

(iii) the CPS Common Shares held by CPL shall be converted into one Common Share of the Amalgamated Corporation; and

(iv) in consideration for the issue by CPL of its Ordinary Shares as contemplated by clause 5(a) (i), the Amalgamated Corporation shall issue to CPL one Common Share of the Amalgamated Corporation for each CPL Ordinary Share so issued.

(b) Instead of the issue of fractional CPL Ordinary Shares to be received in the amalgamation, each holder of CPE Common Shares who otherwise would be entitled to receive a fraction of a CPL Ordinary Share shall be paid by CPL by cheque in respect of such fraction an amount equal to that obtained by multiplying such fraction by the closing sale price per share for a board lot of CPL Ordinary Shares on The Toronto Stock Exchange on the last day on which such shares were traded prior to the Effective Date.

6. Before the implementation of the amalgamation, CPE shall redeem or purchase its Cumulative Redeemable Convertible Preferred Shares, Series B.

7. CPL covenants that on the Effective Date it shall issue its Ordinary Shares to holders of CPE Common Shares as contemplated by clause 5(a)(i).

8. There shall be no restriction on the transfer of shares of the Amalgamated Corporation.

9. The board of directors of the Amalgamated Corporation shall consist of a minimum number of 3 and a maximum number of 12 directors, the number of which shall be fixed from time to time by the directors. On the Effective Date, the number of directors shall be 8. The first directors of the Amalgamated Corporation shall be the persons whose names and addresses are set forth below:

Name	Address
Kenneth S. Benson	246 Eagle Ridge Dr. S.W. Calgary, Alberta T2V 2V7
Robert W. Campbell	3819 – 10th St. S.W. Calgary, Alberta T2T 3J2
J. Paul T. Clough	137 Easton Avenue Montreal West, Quebec H4X 1L4
Stuart E. Eagles	2223 Carleton Street S.W. Calgary, Alberta T2T 3K4
James F. Hankinson	243 Lake Placid Green S.E. Calgary, Alberta T2J 5G6
C. Robert O. Munro, Q.C.	1 Manresa Court Beaconsfield, Quebec H9W 5H5
Ronald T. Riley	34 Forden Avenue Westmount, Quebec H3Y 2Z1
William W. Stinson	4005 Redpath Street Apartment 403 Montreal, Quebec H3G 2G9

Such directors shall hold office until the first annual meeting of the Amalgamated Corporation or until their successors are elected or appointed.

10. There shall be no restriction on the businesses that the Amalgamated Corporation may carry on.

11. The by-laws of the Amalgamated Corporation shall be those of CPE until amended or repealed.

12. This Agreement shall be conditional on:

(a) the approval of this Agreement by a majority of the votes cast by the holders of the CPE Common Shares other than CPL voting in respect of the special resolution to approve this Agreement;

(b) the approval of the issue of CPL Ordinary Shares pursuant to this Agreement by a majority of the votes cast by the holders of the Ordinary and Preference Shares of CPL voting together; and

(c) the receipt by CPE prior to the Effective Date of an opinion of counsel to CPL to the effect that the issue of the CPL Ordinary Shares as contemplated by clause 5(a)(i) has been duly authorized by the board of directors of CPL and that such Ordinary Shares, when issued on the Effective Date, will be validly issued as fully paid and non-assessable.

13. CPL represents and warrants to CPE that:

(a) CPL is duly incorporated and validly existing under the laws of Canada and has the corporate power and corporate authority to own its properties and assets and to carry on its businesses as they are being conducted.

(b) The board of directors of CPL has duly authorized the execution and delivery of this Agreement by CPL.

(c) CPL has the corporate power and corporate authority to enter into this Agreement.

(d) The execution of this Agreement does not and the amalgamation of CPE and CPS will not result in a breach of or violate any term or provision of the articles of continuance or the by-laws of CPL.

(e) CPL is authorized to issue 20,381,788 Preferred Shares, a number of Preference Shares determined on the basis of a formula and an unlimited number of Ordinary Shares, of which there are issued as of the date hereof 14,133,960 Preference Shares and 215,179,384 Ordinary Shares, and CPL does not have any outstanding subscriptions, warrants, options or other agreements or commitments obligating it to issue additional shares other than in respect of its Dividend Reinvestment and Share Purchase Plan and its obligations hereunder.

(f) The consolidated balance sheet of CPL as of December 31, 1984 and the related statements of consolidated income, consolidated retained income and changes in consolidated financial position for the year then ended, reported upon by its auditors, Price Waterhouse, Chartered Accountants, and its unaudited financial statements for the six months ended June 30, 1985, together in each case with the notes thereto, present fairly the financial position of CPL and the results of its operations and changes in its financial position for the respective periods then ended and, except as stated in such notes, have been prepared in accordance with generally accepted accounting principles applied on a consistent basis. As of June 30, 1985, CPL had no material indebtedness or liability (absolute or contingent) which is not shown on or reflected in the balance sheet as of that date, or the notes thereto, and which is required to be shown thereon or reflected therein in accordance with generally accepted accounting principles, except as stated in such notes. CPL is not in default in connection with any material indebtedness or under any indenture, loan agreement or other instrument pursuant to which it has incurred any material indebtedness.

14. CPE represents and warrants to CPL and CPS that:

(a) CPE is duly incorporated and validly existing under the laws of Canada and has the corporate power and corporate authority to own its properties and assets and to carry on its business as it is being conducted.

(b) The board of directors of CPE has duly authorized the execution and delivery of this Agreement by CPE.

(c) CPE has the corporate power and corporate authority to enter into this Agreement.

(d) The execution of this Agreement does not and the amalgamation of CPE and CPS will not result in a breach of or violate any term or provision of the articles of incorporation or the by-laws of CPE.

(e) CPE is authorized to issue 12,500,000 Preferred Shares and an unlimited number of Common Shares, of which there are issued as of the date hereof 5,000,000 Cumulative Redeemable Convertible Preferred Shares, Series B and 155,078,813 Common Shares, and CPE does not have any outstanding subscriptions, warrants, options or other agreements or commitments obligating it to issue additional shares other than in respect of its Dividend Reinvestment and Share Purchase Plan and on conversion of its Cumulative Redeemable Convertible Preferred Shares, Series B.

(f) The consolidated balance sheet of CPE as of December 31, 1984 and the related statements of consolidated income, consolidated retained income and changes in consolidated financial position for the year then ended, reported upon by its auditors, Price Waterhouse, Chartered Accountants, and its unaudited financial statements for the six months ended June 30, 1985, together in each case with the notes thereto, present fairly the financial position of CPE and the results of its operations and changes in its financial position for the respective periods then ended and, except as stated in such notes, have been prepared in accordance with generally accepted accounting principles applied on a consistent basis. As of June 30, 1985, CPE had no material indebtedness or liability (absolute or contingent) which is not shown on or reflected in the balance sheet as of that date, or the notes thereto, and which is required to be shown thereon or reflected therein in accordance with generally accepted accounting principles, except as stated in such notes. CPE is not in default in connection with any material indebtedness or under any indenture, loan agreement or other instrument pursuant to which it has incurred any material indebtedness.

15. CPS represents and warrants to CPE that:

(a) CPS is duly incorporated and validly existing under the laws of Canada, its only asset is cash, it has no liabilities and to date has not conducted business.

(b) The board of directors and the sole shareholder of CPS have duly authorized the execution and delivery of this Agreement by CPS.

(c) CPS has the corporate power and corporate authority to enter into this Agreement.

(d) The execution of this Agreement does not and the amalgamation of CPE and CPS will not result in a breach of or violate any term or provision of the articles of incorporation or the by-laws of CPS.

(e) CPS is authorized to issue an unlimited number of Common Shares, of which as of the date hereof 1,000 are issued and held by CPL, and CPS does not have any outstanding subscriptions, warrants, options or other agreements or commitments obligating it to issue additional shares.

16. At any time before the issue of a certificate of amalgamation in respect of the Amalgamated Corporation, this Agreement may be terminated by the directors of either of the Amalgamating Corporations notwithstanding approval of this Agreement by the shareholders of both or either of the Amalgamating Corporations.

17. This Agreement shall be governed by and construed in accordance with the laws applicable in the Province of Ontario.

IN WITNESS WHEREOF the parties have executed this Agreement.

Canadian Pacific Enterprises Limited
By:

"Robert W. Campbell"
Chairman and Chief Executive Officer C/S

"Kenneth S. Benson"
Vice-President Administration and Secretary

Canadian Pacific Limited
By:

"W. W. Stinson"
President and Chief Executive Officer C/S

"D. J. Deegan"
Secretary

CPS Limited
By:

"W. W. Stinson"
President C/S

"D. J. Deegan"
Secretary

WOOD GUNDY

BURNS FRY LIMITED

The Board of Directors
Canadian Pacific Limited,
Montreal, Canada

October 16, 1985

Gentlemen:

You have retained us as financial advisors with respect to the proposed merger of Canadian Pacific Limited ("CPL") and Canadian Pacific Enterprises Limited ("CPE"). The merger will be effected by an amalgamation of CPE with a wholly-owned subsidiary of CPL pursuant to which the shareholders of CPE other than CPL will receive 1.675 ordinary shares of CPL in exchange for each CPE common share held. The proposed merger will be considered at special meetings of shareholders of both CPL and CPE to be held in December, 1985. You have requested our opinion as to whether the proposed share exchange ratio is fair and reasonable from a financial point of view to the shareholders of CPL.

In preparing our opinion, we have reviewed and considered, among other things, certain information, including:

(a) a draft of the Joint Proxy Statement to be mailed to the shareholders of CPL and CPE in connection with the merger;

(b) certain publicly available information concerning CPL and CPE and their subsidiaries;

(c) certain published stock market trading data relating to the shares of CPL and CPE and its subsidiaries, including price and volume data;

(d) certain internal information relating to the business and operations of CPL and CPE and their subsidiaries obtained from CPL and CPE;

(e) historical, current and forecasted financial information concerning CPL and CPE obtained from CPL and CPE;

(f) published stock market and other data of a general nature relating to the industries in which CPL and CPE and their subsidiaries operate; and

(g) such other financial, market and industry information that we considered appropriate in the circumstances.

In addition, we have held discussions with certain members of senior management of CPL and CPE concerning their respective operations.

Although we have no reason to believe that the financial and other information on which we have relied is not accurate or complete, we have assumed the accuracy and completeness thereof and have not attempted to verify independently any of such information.

In arriving at our opinion, we considered the comparative values of the shares of CPL and CPE based on their current and historical quoted market prices and based on estimates of the investment values of the two companies' assets. In arriving at such investment values, we considered the share prices of those subsidiaries which are publicly-held and estimates of the value at which the shares of subsidiaries and businesses which are not publicly-held would trade in

the market, such estimates being based on the application of ratios of price to earnings, to cash flow and to book value. We believe the above valuation methods to be the most appropriate in the circumstances. We also considered the comparative value of the shares of CPL and CPE based on the value at which their businesses might be sold. We do not believe that either the liquidation valuation method on the basis of the sale of physical assets or the discounted cash flow valuation method are appropriate in the circumstances.

In arriving at our opinion we also considered for the shareholders of each of CPL and CPE the effect of the merger on their respective ownership interests in the underlying assets of the companies and on their respective position on a per share basis with respect to earnings, book value and dividends.

Based on and subject to the foregoing it is our opinion that the terms of the proposed merger are fair and reasonable from a financial point of view to the shareholders of CPL.

Yours very truly,

''Wood Gundy Inc.'' ''Burns Fry Limited''

Dominion Securities Pitfield

October 16, 1985

The Board of Directors
Canadian Pacific Enterprises Limited
2300, One Palliser Square
125 – 9th Avenue S. E.
Calgary, Alberta
T2G 0P6

Dear Sirs:

We understand that Canadian Pacific Enterprises Limited ("CP Enterprises") will submit for approval to a meeting of the holders of shares of CP Enterprises an amalgamation agreement pursuant to which CP Enterprises will be amalgamated with a wholly owned subsidiary of Canadian Pacific Limited ("CP Limited"). If the amalgamation is implemented on the effective date of the amalgamation all holders of Common Shares of CP Enterprises, other than CP Limited, will be entitled to receive 1.675 Ordinary Shares of CP Limited for each Common Share of CP Enterprises (the "Exchange Ratio"). You have retained us as financial advisors to CP Enterprises and have requested that we provide you with an opinion as to the fairness of the Exchange Ratio from a financial point of view to the holders, other than CP Limited, of Common Shares of CP Enterprises.

In arriving at the opinion set forth below we reviewed, analyzed and where appropriate relied upon:

(i) historic and current relationships between the stock market prices and trading patterns of CP Limited and CP Enterprises as reported by The Toronto Stock Exchange;
(ii) other general stock market data and indices including market data pertaining to major subsidiaries of CP Enterprises;
(iii) certain publicly available information on CP Enterprises, CP Limited and their subsidiaries;
(iv) certain internal information concerning the business, operations and prospects for CP Enterprises, CP Limited and their subsidiaries which was made available to us by CP Enterprises and CP Limited;
(v) interviews with senior management of CP Enterprises, CP Limited and certain of the major subsidiaries both wholly and partially owned concerning the respective businesses, financial condition, assets, plans and business activities of the respective companies;
(vi) earnings and other financial forecasts that were provided to us by senior management of CP Enterprises and CP Limited; and
(vii) such other information of a public nature or which was supplied to us by CP Enterprises and CP Limited and which we considered necessary or appropriate in the circumstances.

We have relied upon and have not independently verified the accuracy, completeness or adequacy of the foregoing information and any other information or data provided to us.

In arriving at our opinion, we analyzed and compared CP Enterprises and CP Limited on a going-concern basis. With respect to their subsidiary companies for which there was a quoted stock market value, this analysis included a determination as to whether there was any internal information which, if made public, would materially affect the price of the shares in the public market. With respect to wholly-owned subsidiaries for which there was no quoted market value, we determined going-concern values based on multiples applied to cash flows or earnings, or adjustments to

book values as we deemed appropriate to estimate a market value that might prevail if the respective subsidiaries were publicly traded companies. We believe the results of this going-concern analysis indicate that the respective values of the Common Shares of CP Enterprises and the Ordinary Shares of CP Limited are fairly reflected in the stock market. In our opinion, we believe that the analysis and comparative methodology described above are appropriate under the circumstances.

In arriving at our opinion, we also considered the significant degree to which holders of Common Shares of CP Enterprises on a pro forma basis would maintain their existing interest in the CP Enterprises' entities and that the dividend income per equivalent Common Share of CP Enterprises would be maintained under the Exchange Ratio.

Based on the foregoing, we are of the opinion that the Exchange Ratio of 1.675 Ordinary Shares of CP Limited for each Common Share of CP Enterprises is fair and reasonable from a financial point of view to the holders, other than CP Limited, of Common Shares of CP Enterprises.

Yours very truly,

Dominion Securities Pitfield Limited

Per: "B. W. Douglas"

Schedule IV

CANADIAN PACIFIC ENTERPRISES LIMITED
Special Resolution of Shareholders

RESOLVED as a special resolution that:

1. The Amalgamation Agreement made as of October 16, 1985 among Canadian Pacific Enterprises Limited, Canadian Pacific Limited and CPS Limited be and is hereby approved.
2. The proper officers of Canadian Pacific Enterprises Limited be and they are hereby authorized and directed to sign and deliver for and on behalf of Canadian Pacific Enterprises Limited articles of amalgamation and to do such other acts and things as may be considered necessary or desirable to give effect to the said Amalgamation Agreement.

Schedule V

CANADIAN PACIFIC LIMITED
Special Resolution of Shareholders

RESOLVED as a special resolution that:

1. The articles of the Corporation be amended to change the maximum number of directors of the Corporation from 24 to 30.
2. The proper officers of the Corporation be and they are hereby authorized and directed to sign and deliver for and on behalf of the Corporation articles of amendment and to do such other acts and things as may be considered necessary or desirable to give effect to this special resolution.

Schedule VI – Section 184 of the Canada Business Corporations Act

(1) Subject to sections 185 and 234, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 185.1 (4) (d) that affects the holder or if the corporation resolves to

(a) amend its articles under section 167 or 168 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;

(b) amend its articles under section 167 to add, change or remove any restriction upon the business or businesses that the corporation may carry on;

(c) amalgamate with another corporation, otherwise than under section 178;

(d) be continued under the laws of another jurisdiction under section 182; or

(e) sell, lease or exchange all or substantially all its property under subsection 183 (2).

(2) A holder of shares of any class or series of shares entitled to vote under section 170 may dissent if the corporation resolves to amend its articles in a manner described in that section.

(3) In addition to any other right he may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which he dissents or an order made under subsection 185.1 (4) becomes effective, to be paid by the corporation the fair value of the shares held by him in respect of which he dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

(4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held by him on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

(5) A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of his right to dissent.

(6) The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn his objection.

(7) A dissenting shareholder shall, within twenty days after he receives a notice under subsection (6) or, if he does not receive such notice, within twenty days after he learns that the resolution has been adopted, send to the corporation a written notice containing

(a) his name and address;

(b) the number and class of shares in respect of which he dissents; and

(c) a demand for payment of the fair value of such shares.

(8) A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which he dissents to the corporation or its transfer agent.

(9) A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.

(10) A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificates to the dissenting shareholder.

(11) On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of his shares as determined under this section except where

(a) the dissenting shareholder withdraws his notice before the corporation makes an offer under subsection (12),

(b) the corporation fails to make an offer in accordance with subsection (12) and the dissenting shareholder withdraws his notice, or

(c) the directors revoke a resolution to amend the articles under subsection 167 (2) or 168 (4), terminate an amalgamation agreement under subsection 177 (6) or an application for continuance under subsection 182(6), or abandon a sale, lease or exchange under subsection 183 (8),

in which case his rights as a shareholder are reinstated as of the date he sent the notice referred to in subsection (7).

(12) A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice

(a) a written offer to pay for his shares in an amount considered by the directors of the corporation to be the fair value thereof, accompanied by a statement showing how the fair value was determined; or

(b) if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

(13) Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.

(14) Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

(15) Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

(16) If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

(17) An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

(18) A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).

(19) Upon an application to a court under subsection (15) or (16),

(a) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and

(b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of his right to appear and be heard in person or by counsel.

(20) Upon an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

(21) A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

(22) The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of his shares as fixed by the court.

(23) A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

(24) If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

(25) If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may

(a) withdraw his notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to his full rights as a shareholder; or

(b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

(26) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

(a) the corporation is or would after the payment be unable to pay its liabilities as they become due; or

(b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

Schedule VII – Principal Shareholders and Management of CPL

Principal Holders of Voting Securities

As of October 16, 1985, except for the shares deemed to be beneficially owned by Messrs. Paul Desmarais, James W. Burns (see Note 1 to the following table) and Clifford A. Fielding (see Note 2 to the following table), each director and nominee for election as director and the other directors and officers as a group did not beneficially own in excess of 1% of any class of voting securities of CPL or any of its subsidiaries.

The only persons known to the directors or officers of CPL to be the beneficial owners of more than 5% of any class of its voting securities are as follows:

Title of class	Name and address of beneficial owner	Amount and nature of beneficial ownership	Percent of class
As of October 16, 1985			
Ordinary Shares	Caisse de dépôt et placement du Québec, 1981, avenue McGill College, Montréal, Québec H3A 3C7	21,081,765 shares Has sole voting and investment powers	9.80
As of September 30, 1985			
Ordinary Shares	Power Corporation of Canada, 759 Victoria Square, Montreal, Quebec H2Y 2K4	12,666,171 shares See Note 1	5.89
As of October 16, 1985			
Preference Shares	Alexander Centre Industries Limited, (a privately owned company), Sudbury, Ontario	1,719,659 Sterling shares 8,122,470 Canadian Dollar shares See Note 2	69.63
As of October 16, 1985			
Preference Shares	Maple Leaf Mills (Eastern) Limited, (a wholly owned indirect subsidiary of CPE), 3800 Notre Dame St. East, Montreal, Quebec H1W 2J8	33,000 Sterling shares 825,375 Canadian Dollar shares Has sole voting and investment powers	6.07

Notes:

1. At September 30, 1985 Power Corporation of Canada (Power) controlled or had substantial interests in companies which owned or held or controlled 1,847,400 Ordinary Shares, or 0.86% of the class, as to which Power is deemed under SEC regulations to have sole voting and investment powers and of which it is deemed to be the beneficial owner, and 10,818,771 Ordinary Shares, or 5.03% of the class, as to which Power is deemed to share voting and investment powers and of which it is also deemed to be the beneficial owner. At the same date, companies which Power controlled or in which it had substantial interests also owned or held or controlled shares in subsidiaries

of CPL, as to which Power is deemed to share (except where otherwise indicated) voting and investment powers and of which it is deemed to be the beneficial owner, as follows:

CPL subsidiary	Common shares	Percent of class
Canadian Pacific Enterprises Limited	*1,870,522	1.21
The Algoma Steel Corporation, Limited	1,490,900	10.36
AMCA International Limited	1,221,397	3.59
Cominco Ltd.	2,809,648	4.33
Pine Point Mines Limited	143,535	3.18
Vestgron Mines Limited	91,372	2.16
Great Lakes Forest Products Limited	609,300	3.12
Corporate Foods Limited	49,000	1.57
Eastern Bakeries Limited	4,200	0.38
PanCanadian Petroleum Limited	1,015,500	0.81
Steep Rock Resources Inc.	365	—

*Includes 52,400 shares, or 0.03% of the class, as to which Power is deemed to have sole voting and investment powers.

As the boards of directors of the companies which Power controls or in which it has substantial interests, which are The Investors Group, The Great-West Life Assurance Company, Montreal Trustco Inc., Consolidated-Bathurst Inc., Gesca Ltée, and their respective subsidiaries and pension funds, in fact exercise sole voting and investment powers with respect to the shares of CPL and its subsidiaries owned or held or controlled by them, Power disclaims beneficial ownership of any such shares.

Mr. Paul Desmarais, O.C., a director of CPL and CPE, is Chairman and Chief Executive Officer and controlling stockholder of Power, and is deemed under SEC regulations to be the beneficial owner of all shares of CPL and its subsidiaries of which Power is deemed to be the beneficial owner; Mr. Desmarais disclaims beneficial ownership of any shares he does not own directly. Mr. James W. Burns, also a director of CPL, is President and a director of Power and may also be deemed under the same regulations to be the beneficial owner of all the shares of CPL and its subsidiaries of which Power is deemed to be the beneficial owner; Mr. Burns disclaims beneficial ownership of any such shares.

An agreement dated December 15, 1981 among CPL, Power and Mr. Desmarais limits to 15% the voting shares of CPL that may be held by the Power group of companies and Mr. Desmarais. Under the agreement, the Power group will vote its beneficially owned shares of CPL in accordance with the recommendations of the Board of Directors of CPL, except in certain circumstances which do not apply to the matters identified in CPL's Notice of Special Meeting of Shareholders. The agreement extends until December 31, 1991, subject to early termination options which arise in certain situations. The agreement allows Power to increase its holdings beyond the 15% only if a take-over bid is made for CPL or if another shareholder acquires more than 10% of the voting shares of CPL. In the case of another shareholder acquiring more than 10%, Power's increased holdings together with those of other members of the Power group are limited to 5% more than the holdings of such other shareholder. Mr. Desmarais and Mr. Burns were nominated as directors of CPL in 1982 and 1983, respectively, pursuant to that agreement.

2. Alexander Centre Industries Limited (Alexander) also owns 633,466 Ordinary Shares. Management has been informed that more than 50% of the voting securities of Alexander is owned by Mr. Clifford A. Fielding, a director of CPL, and that the balance of the voting securities of Alexander is owned by members of Mr. Fielding's family. In addition to the Ordinary Shares and the Preference Shares owned by Alexander, management has been informed that Mr. Fielding, members of his family, trusts established for them and other companies, the shares of which are owned by Mr. Fielding and/or members of his family, own an aggregate of 1,503,185 Ordinary Shares, 827,355 Canadian Dollar Preference Shares, 220,636 Sterling Preference Shares and 395 CPE Common Shares.

Election of Directors (continued)

Name of director (For committee memberships and meeting attendance, see Notes page 40)	Principal occupation or employment	Date on which present or proposed term of office expires / Director since / Age	CPL Ordinary Shares owned of record and beneficially as directors' qualifying shares / Equity securities of CPL or its subsidiaries beneficially owned other than CPL directors' qualifying shares	Certain other directorships and relationships required to be reported by the SEC (see Notes page 40) and major offices held in significant affiliates (†CPL subsidiaries)
Directors continuing in office (continued)				
C. A. Fielding	Honorary Chairman and Chief Executive Officer, Alexander Centre Industries Limited, Sudbury, Ontario, supplier of construction material and construction.	May 4, 1988 1984(**) 70	2,000 40,000 CPL Ordinary Shares 34,700 CPL Canadian Dollar Preference Shares 9,000 CPL Sterling Preference Shares (For list of voting securities deemed to be beneficially owned by Mr. Fielding, see Note 2 page 34)	Nil
*Allard Jiskoot	Director and Former Chairman of the Board, Pierson, Heldring & Pierson N.V., Amsterdam, The Netherlands, bankers.	May 6, 1987 1964 66	2,000 13,000 CPL Ordinary Shares	Director of 1 N.V. Philips Glowlamps
A. S. Kingsmill, Q.C.	Partner, Law firm of Tilley, Carson & Findlay, Toronto.	May 4, 1988 1984 58	2,000 4,000 CPL Ordinary Shares 2,638 CPE Common Shares 102 AMCA International Limited Common Shares	Partner of 3 4 Tilley, Carson & Findlay
Donald C. Matthews	President and General Manager, Highland Stock Farms Ltd., Calgary, cattle breeding.	May 6, 1987 1975 67	2,000 4,300 CPL Ordinary Shares 750 Cominco Ltd. Common Shares (includes 600 shares owned by Highland Stock Farms Ltd.) 204 AMCA International Limited Common Shares (includes 102 shares owned by Mr. Matthews' spouse, as to all of which he disclaims beneficial ownership) 100 AMCA International Limited Preferred Shares Series 1 (owned by Highland Stock Farms Ltd.)	Nil
W. Earle McLaughlin, O.C. ① ③ ④	Director and Former Chairman of the Board, The Royal Bank of Canada, Montreal.	May 6, 1987 1965 70	2,000 13,000 CPL Ordinary Shares 20,880 CPE Common Shares 245 The Algoma Steel Corporation, Limited Common Shares 1,000 The Algoma Steel Corporation, Limited $2 Cumulative Redeemable Convertible Class B Preference Shares Series 1 510 AMCA International Limited Common Shares	Director of 1 †CPE †The Algoma Steel Corporation, Limited 1 General Motors Corporation 1 Genstar Corporation

Election of Directors (continued)

Name of director (For committee memberships and meeting attendance, see Notes page 40)	Principal occupation or employment	Date on which present or proposed term of office expires / Director since / Age	CPL Ordinary Shares owned of record and beneficially as directors' qualifying shares / Equity securities of CPL or its subsidiaries beneficially owned other than CPL directors' qualifying shares	Certain other directorships and relationships required to be reported by the SEC (see Notes page 40) and major offices held in significant affiliates (†CPL subsidiaries)
Directors continuing in office (continued)				
Stanley A. Milner ④	President and Chief Executive Officer, Chieftain Development Co. Ltd., Edmonton, engaged in petroleum and natural gas exploration and development.	May 4, 1988 1980 56	2,000 10,000 CPL Ordinary Shares	Director of 1 Banister Continental Ltd. Director, President and Chief Executive Officer of 1 Chieftain Development Co. Ltd.
J. H. Moore ②	Corporate director, Former Chairman of the Board, John Labatt Limited, London, Ontario, investment holding company.	May 6, 1987 1972 69	2,000 9,100 CPL Ordinary Shares 4,400 CPE Common Shares 3,600 PanCanadian Petroleum Limited Common Shares (except for 4,000 CPL Common Shares and 3,000 CPE Ordinary Shares, all other shares reported above are owned by trusts for the benefit of Mr. Moore's sister of which he is a trustee, as to all of which he disclaims beneficial ownership)	Director of 1 Bell Canada Enterprises Inc. 1 Bell Canada 1 Northern Telecom Limited
William D. Mulholland	Chairman and Chief Executive Officer, Bank of Montreal, Toronto.	May 4, 1988 1983 59	2,000 7,000 CPL Ordinary Shares	Director of 1 The Upjohn Company 1 Harris Bankcorp. Inc.
*Paul L. Paré, O.C. ① ③	Chairman and Chief Executive Officer, Imasco Limited, Montreal, a parent operating company with tobacco, food services and retail divisions.	May 7, 1986 1973 63	2,000 4,000 CPL Ordinary Shares 4,000 CPE Common Shares	Director of 1 †CPE †CIP Inc. 2 Canadian Fund Inc.
*The Rt. Hon. Lord Polwarth, T.D., D.L.	Director, Bank of Scotland, Edinburgh, Scotland.	May 7, 1986 1975 68	2,000 4,000 CPL Ordinary Shares	Director of 1 Halliburton Company
Claude Pratte, Q.C. ① ② ③	Partner, Law firm of Stein, Monast, Pratte & Marseille, Quebec.	May 4, 1988 1970 60	2,000 37,501 CPL Ordinary Shares 110,000 CPE Common Shares 323 The Algoma Steel Corporation, Limited Common Shares 336 AMCA International Limited Common Shares	Partner of 3 Stein, Monast, Pratte & Marseille Director of 1 †CPE †CIP Inc.

Election of Directors (continued)

Name of director (For committee memberships and meeting attendance, see Notes page 40)	Principal occupation or employment	Date on which present or proposed term of office expires Director since Age	CPL Ordinary Shares owned of record and beneficially as directors' qualifying shares Equity securities of CPL or its subsidiaries beneficially owned other than CPL directors' qualifying shares	Certain other directorships and relationships required to be reported by the SEC (see Notes page 40) and major offices held in significant affiliates (†CPL subsidiaries)
Directors continuing in office (continued)				
C. Douglas Reekie	Vice-Chairman of the Board, CAE Industries Ltd., Toronto, a holding and management company.	May 6, 1987 1985 61	2,000 4,072 CPL Ordinary Shares 1,415 CPE Common Shares 2,000 Cominco Ltd. $2.00 Tax Deferred Exchangeable Preferred Shares Series A 1,500 PanCanadian Petroleum Limited Common Shares	Director of [1] †CPE [1] †AMCA International Limited †Marathon Realty Company Limited †PanCanadian Petroleum Limited
Lucien G. Rolland, O.C. ② ④	Chairman and Chief Executive Officer, Rolland inc., Montreal, manufacturer and distributor of fine papers.	May 7, 1986 1962 68	2,000 13,600 CPL Ordinary Shares (includes 600 shares owned by Mr. Rolland's spouse, as to all of which he disclaims beneficial ownership) 25 CPE Common Shares	Director of [1] Bell Canada Enterprises Inc. [1] Inco Limited [2] Canadian Fund Inc.
Thomas G. Rust ④	Chairman of the Board, Crown Forest Industries Limited, Vancouver, engaged in the manufacture, sale and worldwide distribution of pulp, paper, newsprint, lumber, plywood and other products.	May 7, 1986 1977 66	2,000 4,000 CPL Ordinary Shares 1,020 AMCA International Limited Common Shares	Director of [1] The Bank of Nova Scotia
F. H. Sherman	Chairman and Chief Executive Officer, Dofasco Inc., Hamilton, basic steel producer – engaged in production of hot rolled steels, skelp, plate, tin plate, cold rolled, galvanized and electrical steels, steel castings, pig iron.	May 6, 1987 1973 69	2,000 4,000 CPL Ordinary Shares 618,500 AMCA International Limited Common Shares (316,200 shares are owned by Dofasco Supplementary Retirement Savings Plan of which he is one of five trustees and 314,670 shares are owned by Dofasco Employees' Savings and Profit Sharing Fund of which he is one of four trustees, as to all of which he disclaims beneficial ownership)	Director of [1] The Bank of Nova Scotia
W. W. Stinson ① ③	President and Chief Executive Officer, CPL.	May 6, 1987 1981 51	2,000 10,238 CPL Ordinary Shares 856 CPE Common Shares 300 Cominco Ltd. Common Shares 400 Great Lakes Forest Products Limited Common Shares 100 PanCanadian Petroleum Limited Common Shares	Director of [1] †CPE †Cominco Ltd. †Great Lakes Forest Products Limited †Marathon Realty Company Limited †PanCanadian Petroleum Limited [1] †Soo Line Corporation

Election of Directors (continued)

Name of director (For committee memberships and meeting attendance, see Notes below)	Principal occupation or employment	Date on which present or proposed term of office expires / Director since / Age	CPL Ordinary Shares owned of record and beneficially as directors' qualifying shares / Equity securities of CPL or its subsidiaries beneficially owned other than CPL directors' qualifying shares	Certain other directorships and relationships required to be reported by the SEC (see Notes below) and major offices held in significant affiliates (†CPL subsidiaries)
Directors continuing in office (continued)				
Jean Casselman Wadds, O.C.	Corporate director, Former Commissioner, Royal Commission on the Economic Union and Development Prospects for Canada, Ottawa.	May 4, 1988 / 1984 / 65	2,000 / 4,000 CPL Ordinary Shares	Director of [1] Bell Canada
Ray D. Wolfe, C.M. ① ③	Chairman and Chief Executive Officer, The Oshawa Group Limited, Toronto, engaged in the merchandising of food, non-food and drugs.	May 4, 1988 / 1972 / 68	2,000 / 21,929 CPL Ordinary Shares (includes 4,500 shares owned by a Canadian registered charitable foundation of which Mr. Wolfe is a director, as to all of which he disclaims beneficial ownership) 10,000 CPE Common Shares	Director of [1] †CPE [1] The Bank of Nova Scotia

Notes:

Committee members are identified in the above column as follows	Committee	Number of meetings in 1984
①	Executive	14
②	Audit	4
③	Nominating	2
④	Compensation	1
	Board of Directors	12

*attended fewer than 75% of the meetings of the Board and committees on which he served

All directors and nominees have been associated with the firm, corporation or institution shown in the foregoing table during the past five years except Robert W. Campbell, who became the Vice-Chairman of CPE on February 5, 1982, Vice-Chairman and Chief Executive Officer on April 29, 1982 and Chairman and Chief Executive Officer on April 27, 1984 and, for more than 5 years prior thereto, was Chairman and Chief Executive Officer of PanCanadian Petroleum Limited, a subsidiary of CPL; and Mr. C. Merv Leitch, Q.C., who was Minister of Energy and Natural Resources, Government of Alberta since March, 1979 until his resignation in November, 1982 and , prior thereto, was Provincial Treasurer, Government of Alberta from April, 1975.

F.S. Burbidge was President of CPL from May 3, 1972 to May 5, 1981; William D. Mulholland was President and Chief Executive Officer of the Bank of Montreal from January, 1979 to the end of June, 1981; Lucien G. Rolland was Chairman, President and Chief Executive Officer of Rolland inc. from June 20, 1984 to February 6, 1985; Thomas G. Rust was Chairman of the Board, President and Chief Executive Officer of Crown Forest Industries Limited (formerly Crown Zellerbach Canada Limited) from September, 1982 to February, 1984; F.H. Sherman was President and Chief Executive Officer of Dofasco Inc. (formerly Dominion Foundries and Steel Limited) from 1964 to June 7, 1982 and Chairman, President and Chief Executive Officer from June 7, 1982 to June 3, 1983; Jean Casselman Wadds was High Commissioner for Canada to the United Kingdom from November, 1979 to February, 1983; Ray D. Wolfe was Chairman of the Board, President and Chief Executive Officer of The Oshawa Group Limited from 1977 until October, 1983.

(**) C.A. Fielding was a director of CPL from April, 1970 to October, 1971.

[1] Subject to requirements of Sections 12 or 15(d) of the United States Securities Exchange Act of 1934.

[2] Registered as an investment company under the United States Investment Company Act of 1940.

[3] Law firm which CPL has retained in the last full fiscal year.

[4] To which CPL and subsidiaries paid for property or services in 1984 in excess of 5% of the consolidated gross revenues of payee firm or corporation (for additional information, see section entitled Certain Transactions, page 44).

Election of Directors (continued)

Pursuant to SEC regulations, a brief description of the functions of the Audit, Nominating and Compensation Committees of the Board of Directors is given below.

Audit Committee

The Audit Committee reviews the financial statements of CPL before they are submitted to the Board of Directors for approval. The Audit Committee discusses with the independent auditors the scope of their examination, monitors progress of the independent audit and ensures the adequacy of accounting controls. The Audit Committee recommends to the Board the name of the independent auditors of CPL and the audit fees to be paid annually. The Audit Committee also reviews the scope and results of CPL's internal audit function.

Nominating Committee

In the event of a vacancy occurring on the Board of Directors or on a Committee of the Board, however caused, the Nominating Committee recommends to the Board a person or persons to fill any such vacancy. The Nominating Committee also considers and recommends to the Board the slate of directors to be nominated for election at any Annual Meeting of Shareholders. The Committee will consider nominees recommended by shareholders and such recommendations may be forwarded to the Secretary at the address shown for the registered office of CPL appearing on the cover page of this Joint Proxy Statement.

Compensation Committee

The Compensation Committee considers and recommends to the Board remuneration levels for directors and senior management and compensation or other such plans in which directors or officers may be eligible to participate. In addition, the Committee monitors benefits under compensation or other such plans and deals with other matters as directed by the Board from time to time.

Executive Compensation

The following table shows all cash compensation paid in 1984 or in respect of the year 1984 by CPL and its subsidiaries for services in all capacities to each of the five most highly compensated executive officers of CPL and certain subsidiaries, as to whom the total compensation required to be disclosed herein by SEC regulations exceeded $60,000 and to all executive officers as a group:

Name of individual or number in group	Capacities in which served	Cash compensation			
		CPL	CPE	Other subsidiaries	Total
F.S. Burbidge	As an executive officer of CPL and as a director of certain subsidiaries	$ 528,987	$ 19,000	$ 47,184	$ 595,171
W.W. Stinson	As an executive officer of CPL and as a director of certain subsidiaries	331,464	11,500	36,687	379,651
R.S. Allison	As an executive officer of CPL and as a director of certain subsidiaries	213,530	—	17,975	231,505
D.S. Maxwell, Q.C. (deceased)	As an executive officer of CPL and as a director of a subsidiary	188,408	—	14,300	202,708
R.W. Campbell	As an executive officer of CPE and as a director of CPL and certain subsidiaries	33,600	484,050	59,834	577,484
All executive officers as a group (including the five above named: 27)	As executive officers and as executive officers and directors	3,962,643	514,550	192,000	4,669,193

The aggregate amount of other compensation received by all executive officers as a group did not exceed $125,000.

Executive Compensation (continued)

Variable Compensation Payments Plans

Executive officers of CPL participate in a Variable Compensation Payments Plan, pursuant to which the Compensation Committee of the Board of Directors fixes, annually, a performance objective for each participant based upon the appropriate annual profit plan. The Committee also fixes, for each participant, a target payment level, ranging from 10% to 30% of annual base salary, which may be paid if the performance objective is met. In an exceptional year, target payment levels may be augmented by amounts up to 50% of the level originally fixed. Awards are paid in cash as soon as possible following the end of the year. No payments were made under the Plan in respect of 1984.

Under the Variable Compensation Payments Plan of CPE, the Compensation Committee of CPE's Board of Directors fixes, annually, an amount which designated executives may receive as additional compensation. This amount ranges generally from 12½% to 30% of annual base salary. The award entitlement in each year, payable in cash in the subsequent year, is based on CPE's planned net income being attained. If the planned net income is exceeded, the payments may be increased by an amount up to 50% of the original percentage fixed. Mr. R. W. Campbell, a director of CPL and a director and officer of CPE, was entitled to receive a payment under that Plan in 1985 for 1984, which amount is included in the preceding compensation table.

Compensation of Directors

The Board has authorized the payment to each director (other than those directors who are salaried officers of CPL) of a basic retainer of $10,000, an additional retainer of $5,000 for each member of the Executive Committee, an additional retainer of $1,000 for the Chairman of the Audit Committee, a fee of $600 for each director for each meeting of the Board attended and a fee of $600 for each member for each meeting of the Executive, Audit, Compensation, Nominating, Pension Trust Fund and Management Resources Committees attended.

Pension Plan

CPL maintains a contributory, defined benefit pension plan pursuant to which pensions are paid to eligible officers and employees of CPL at retirement. Under the plan, pensions are paid at the normal retirement age of 65, based upon pensionable earnings (wages or salary) and credited years of service up to a maximum of 35, as follows:

Pension Table

Estimated annual pension income payable at retirement
(See Note 2 for pensionable earnings and credited years of service of named executive officers)

Best consecutive or final five-year average pensionable earnings	Credited years of service				
	15	20	25	30	35
$150,000	$ 45,456	$ 59,940	$ 74,940	$ 89,940	$102,440
200,000	61,290	80,773	100,773	120,773	137,440
250,000	77,123	101,607	126,607	151,607	172,440
300,000	92,956	122,440	152,440	182,440	207,440
350,000	108,790	143,273	178,273	213,273	242,440
400,000	124,623	164,107	204,107	244,107	277,440
450,000	140,456	184,940	229,940	274,940	312,440

Executive Compensation (continued)

Notes:

1. Benefits arising from the pension plan are based on pensionable salary only and not on any fees, directors' fees, commissions, bonuses, or salary beyond normal retirement.
2. Pensionable earnings during 1984 and credited years of service at the end of 1984 for executive officers named in the compensation table were as follows: Mr. Stinson $306,075 and 31 5/12 years and Mr. Allison $195,900 and 35 years. Mr. Burbidge's pension was fixed at $209,898.48 per year upon his reaching normal retirement age in 1983. Mr. Campbell does not participate in CPL's Pension Plan nor did Mr. Maxwell (see the second paragraph following these Notes).
3. The amount of the contribution, payment or accrual made by CPL for the year 1984 for officers, individually or as a group, is not and cannot readily be separately or individually calculated by CPL's actuaries.
4. Benefit amounts listed in the above pension table are payable during the lifetime of the pensioner and, at a reduced level, during the lifetime of the surviving spouse and are not subject to any deduction for Canada Pension Plan or Quebec Pension Plan income.

Officers and certain management and supervisory employees who defer their retirement beyond age 65 at the request of CPL will be paid monthly by CPL, upon retirement, a supplementary allowance of 1% of his or her monthly basic pension entitlement multiplied by the number of months such employee defers his or her retirement beyond age 65. Two persons among the above group of 27 executive officers accrued a supplementary allowance under this policy during 1984. As of October 16, 1985, Mr. Burbidge had accrued a supplementary allowance based on 25 months of service beyond normal retirement age and another officer included in the group but not named in the compensation table had accrued a supplementary allowance based on 9 months of service beyond normal retirement age.

Pursuant to an agreement with CPE, Mr. Campbell is to receive from it, after retirement, a total monthly payment equal to 66 2/3 of his average monthly salary during the five years immediately preceding his retirement less any benefits received from the PanCanadian Petroleum pension plan and the pension plan of a previous employer. During 1984, the compensation and retirement benefits of Mr. Maxwell and one other officer included in the group but not named in the compensation table were governed by individual employment contracts of indefinite duration pursuant to which their compensation was determined from time to time by corporate policy. Although Mr. Maxwell's employment contract fixed his retirement income to be paid at age 65 at 27.3% of his then current compensation, subsequent to his death CPL made an arrangement for periodic payments to his estate. The other officer continues to be covered by an individual pension arrangement under which he accrued retirement benefits equal to 3½% of his final 5-year average salary for each year of service, up to his normal retirement date, less any benefits received from his own contributions to a registered retirement savings plan. As of December 31, 1984, he had accrued a supplementary allowance based on one month of service beyond normal retirement age and calculated on the same basis as the 1% policy referred to in the previous paragraph.

Certain executive officers of CPL retiring at or after normal retirement age on or before July 1, 1989 will receive a smaller pension under the pension plan than they would have received had certain planned salary increases for 1983 and 1984 been implemented. Those salary increases, which were designed to bring these officers up to or closer to the authorized salary levels of their respective positions, were restrained by virtue of the *Public Sector Compensation Restraint Act.* Since pensionable earnings under the plan are generally determined on the basis of compensation during the five years immediately preceding retirement, smaller pensions will be payable to those officers whose pensionable earnings are based in part on the years 1983 and 1984. The eight executive officers so affected will be entitled to receive as a supplemental benefit from CPL an amount equal to the difference between the pension payable under the plan and the pension that would have been payable had salary increases not been restrained. Entitlement to this supplemental benefit is conditional upon retirement on or after normal retirement age. It is anticipated that the aggregate amount payable as a supplemental benefit to all eight executive officers will not exceed $19,000 per annum.

Certain Transactions

The firm of Tilley, Carson & Findlay, of which Mr. A. S. Kingsmill, Q.C., a director of CPL since May 1984, is a partner, performs legal services for CPL and its subsidiaries in the normal course of business. Fees for such services amounted to $536,095 and $527,980 during the fiscal years ended December 31, 1983 and 1984, respectively.

CPL and its subsidiaries, in the normal course of business, have effected a number of borrowings from the Bank of Montreal, of which Mr. William D. Mulholland, a director of CPL, is Chairman and Chief Executive Officer. These borrowings, arranged at various times at arm's length, did not exceed 5% of CPL's total consolidated assets at the end of any of CPL's past three fiscal years, except at December 31, 1982 when such borrowings amounted to $1,063,000,000.

Executive Officer Information

Since the date of CPL's Annual Report on Form 10-K for the year ended December 31, 1984, Mr. C. R. O. Munro, Q.C., was appointed Vice-President Law and General Counsel of CPL and Mr. I. B. Scott was appointed Chairman and Chief Executive Officer, CP Rail. Mr. Munro, age 60, was Assistant Vice-President, Law of CPL during the past five years. Mr. Scott, age 55, during the past five years was General Manager, Public Relations and Advertising until May 6, 1981, when he was appointed Vice-President Administration and Public Affairs.

Legal deposit – 4th quarter 1985

Printed in Canada

AR40

Merger of
Canadian Pacific Enterprises Limited and
Canadian Pacific Limited

MAY 1, 1985

Documents Accompanying
Joint Proxy Statement

Canadian Pacific Limited

Canadian Pacific Enterprises Limited

Contents

Canadian Pacific Limited

Canadian Pacific Enterprises Limited

Canadian Pacific Limited

Annual Information Form May 1, 1985

A

A

ANNUAL INFORMATION FORM

Documents Incorporated By Reference

Attached to this Annual Information Form are the following documents which have been filed with or incorporated in documents filed by Canadian Pacific Limited with the Securities and Exchange Commission, Washington, D.C.

(a) Annual Report on Form 10-K for the year ended December 31, 1984 ("1984 Form 10-K");

(b) Annual Report to Shareholders for the year ended December 31, 1984 ("1984 Annual Report"); and

(c) Management Proxy Statement dated March 11, 1985 ("1985 Proxy Statement").

Portions of these documents are incorporated into this Annual Information Form by reference. Portions of these documents not specifically incorporated by reference herein do not form part of this Annual Information Form.

Item 1 - Name and Incorporation of Issuer

Canadian Pacific Limited ("CP") was incorporated by Letters Patent dated February 16, 1881 pursuant to an Act of the Parliament of Canada being Statutes of Canada (1881), 44 Victoria, Chapter 1, together with amending and supplementary Acts and Letters Patent. On May 2, 1984, the Corporation was continued under the Canada Business Corporations Act. It is a railway company within the meaning of the Railway Act of Canada and accordingly is also subject to that Act.

The head and principal office of CP is located at 910 Peel Street, Montreal, Quebec. The mailing address is P.O. Box 6042, Station A, Montreal, Quebec, H3C 3E4.

Item 2 - Business and Property

Reference is made to Item 1 of Part I on pages 2 to 35 of the 1984 Form 10-K, which information is incorporated by reference herein.

Item 3 - Summary of Financial Information

Reference is made to the information for the years 1980 through 1984 set out on page 54 of the 1984 Annual Report under the caption "Five-Year Summary", which information is incorporated by reference herein. As CP has no convertible securities

outstanding, the per share information set out in the Five-Year Summary is on a fully diluted basis.

With respect to the total amount of redeemable preferred shares outstanding at year end, the following information, which is not contained in the Five-Year Summary, is provided:

	1984	1983	1982	1981	1980
		(thousands of dollars)			
$7\frac{1}{4}$% Cumulative Redeemable Preferred Shares Series A	10,771	12,709	14,231	16,596	19,790

The following table sets forth certain financial information for CP and its subsidiaries on a consolidated basis for the last eight financial quarters:

Financial Summary on a Quarterly Basis (Unaudited)

	For the three months ending 1984				1983			
	Dec.31	Sep.30	Jun.30	Mar.31	Dec.31	Sep.30	Jun.30	Mar.31
	(millions of dollars, except per share amounts)							
Revenues	3,754	3,698	3,748	3,435	3,456	3,221	3,239	2,843
Net Income*								
Total	116	130	98	33	42	41	29	32
Per Share	1.62	1.80	1.36	0.46	.57	.57	.40	.44
Dividends								
Per Share	.35	.35	.35	.35	.35	.35	.35	.35

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* There were no extraordinary items during the quarterly periods shown.

With respect to factors affecting the comparability of the foregoing financial information, reference is made to the following discussions in the 1984 Annual Report: on page 24, Note 2 under the caption "CP Rail Results", Note 3 under the caption "CP Air Results" and Note 4 under the caption "Soo Line Corporation"; on page 35, Note 16 under the caption "Deferred Income Credits"; and on page 39, Note 24 under the caption "Reclassifications"; all of which information is incorporated by reference herein. In addition, Foreign Currency Translation Adjustments at December 31, 1984, consist of $124,575,000 arising from the translation of the accounts of foreign subsidiaries and $134,744,000 from the translation of Perpetual 4% Consolidated Debenture Stock; reference is also made to the following discussions in the 1984 Annual Report: on page 14 under the caption "Foreign Currency Translation" and on page 24, Note 1 under the caption "Change in Accounting for Translation of Foreign Currencies", all of which information is incorporated by reference herein.

Item 4 - Analysis of Financial Position and Results of Operations

Reference is made to the discussion on pages 5 to 13 inclusive of the 1984 Annual Report under the headings "Financial Review" and "Review of Operations", the discussion in the 1984 Annual Report on pages 50 to 52 inclusive under the heading "Reporting the Effects of Changing Prices (Unaudited)" and the

discussion in the 1984 Form 10-K on pages 2 through 35, all of which is incorporated by reference herein.

Item 5 - Market for the Securities of the Issuer

CP's securities are listed and posted for trading on the following stock exchanges:

Security	Stock Exchanges
Ordinary Shares	Montreal, Toronto, Vancouver, New York and London, England
4% Consolidated Debenture Stock	
Sterling	London, England
U.S. Currency	New York
Preference Shares	
Sterling	Montreal, Toronto, Vancouver and London, England
Canadian Dollar	Montreal, Toronto, Vancouver and London, England
*Preferred Shares, Series A	Montreal, Toronto, Vancouver and London, England
Collateral Trust Bonds	
9 3/4% - 1989	London, England
14 5/8% - 1992	London, England

*These shares were called for redemption on March 28, 1985 and are no longer listed and posted for trading on any stock exchange.

Item 6 - Dividends

Dividends on Ordinary Shares were declared and paid quarterly during the past two completed financial years, amounting

to \$1.40 per share in each of 1983 and 1984. Preference Shares yield dividends at the rate of 4% per annum, amounting to £0.04 per Sterling Preference Share and \$0.12 per Canadian Dollar Preference Share, in each of 1983 and 1984. Dividends on Preferred Shares, Series A were paid at the rate of 7¼% per annum, amounting to \$0.725 per share in each of 1983 and 1984. During these two years, dividends on both Preference Shares and Preferred Shares, Series A were declared semi-annually. There are no restrictions on the ability of CP to pay dividends, other than applicable statutory limitations.

Item 7 - Subsidiaries of the Issuer

CP's principal subsidiaries, their jurisdictions of incorporation and the percentage of voting securities of each owned by CP as at December 31, 1984, are set forth below.

A. Directly Held Subsidiaries

Name of Company	Jurisdiction of Incorporation	Percentage of Voting Securities Owned by Canadian Pacific Limited
Canadian Pacific Air Lines, Limited	Canada	100
Canadian Pacific (Bermuda) Limited	Bermuda	100
Canadian Pacific Enterprises Limited	Canada	69.9
Canadian Pacific Steamships, Limited	United Kingdom	100

(continued)

Name of Company	Jurisdiction of Incorporation	Percentage of Voting Securities Owned by Canadian Pacific Limited
Canadian Pacific Express & Transport Ltd.	Canada	100
CanPac International Freight Services Inc.	Canada	100
Racine Terminal (Montreal) Limited	Canada	100
Soo Line Corporation	U.S.A.	55.8
The Toronto, Hamilton and Buffalo Railway Company	Ontario	100

B. Certain Significant Indirectly Held Subsidiaries

Various CP subsidiaries hold their own subsidiaries, some of which are significant. Certain of these subsidiaries are set out below, together with the jurisdiction of incorporation and percentage of voting securities owned or held in each, as at December 31, 1984.

Name of Company	Jurisdiction of Incorporation	Percentage of Voting Securities Owned by CP Subsidiary
(CP Subsidiary)		
(Subsidiary Held)		
Canadian Pacific Air Lines, Limited		
Eastern Provincial Airways Limited	Newfoundland	100
Canadian Pacific (Bermuda) Limited		
Arion Insurance Company Limited	Bermuda	100
Centennial Shipping Limited (1)	Bermuda	100

(continued)

Name of Company	Jurisdiction of Incorporation	Percentage of Voting Securities Owned by CP Subsidiary
CanPac International Freight Services Inc. Mendelssohn-Commercial Limited	Canada	100
Soo Line Corporation (2) Soo Line Railroad Company (3)	U.S.A.	100

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(1) Centennial Shipping Limited owns 57% of the voting securities of Canada Maritime Limited, which is incorporated in Bermuda and is also a significant subsidiary.

(2) On February 19, 1985, Soo Line Corporation, through its subsidiary, The Milwaukee Road Inc., acquired the transportation operations and related assets of the Chicago, Milwaukee, St. Paul and Pacific Railroad Company, thus making The Milwaukee Road Inc. a significant subsidiary. Soo Line Corporation holds 100% of The Milwaukee Road Inc., which was incorporated in the U.S.A.

(3) Soo Line Railroad holds 100% of each of the following significant subsidiaries, all of which were incorporated in the U.S.A.:
Minneapolis, Northfield & Southern Railway, Inc.
Soo Line Equipment Company
Tri-State Land Company

As noted in section A above, CP owns 69.9% of the voting securities of Canadian Pacific Enterprises Limited ("Enterprises"). Enterprises has subsidiaries in its own right. Certain of these subsidiaries are listed below, together with their respective jurisdictions of incorporation and Enterprises' direct and indirect percentage of voting securities owned or held in each, as at January 1, 1985. Also indicated is the percentage ownership that certain subsidiaries have in their respective significant subsidiary companies.

Name of Company	Jurisdiction of Incorporation	Percentage of Voting Securities Owned
PanCanadian Petroleum Limited	Canada	87.1
PanCanadian Gas Products Ltd.	Alberta	100
PanCanadian Petroleum Company	Delaware	100
Cominco Ltd.	Canada	53.2
Cominco American Incorporated	Washington	100
Pine Point Mines Limited	Canada	69 (1)
Fording Coal Limited	Canada	60 (2)
Steep Rock Resources Inc.	Ontario	79.6
CIP Inc.	Quebec	100
NBIP Forest Products Inc.	New Brunswick	67
CIP Forest Products Inc.	Canada	100
Facelle Company Limited	Canada	100
Great Lakes Forest Products Limited	Ontario	54.3
The Algoma Steel Corporation, Limited	Ontario	61.2
Cannelton Industries, Inc.	West Virginia	100
AMCA International Limited	Canada	16.2 (3)
AMCA International Corporation	Delaware	100
Koehring Company	Delaware	100
Marathon Realty Company Limited	Canada	100
Marathon U.S. Holdings, Inc.	Delaware	100
Maple Leaf Mills Limited	Ontario	100
Corporate Foods Limited	Ontario	63
Canadian Pacific Enterprises (U.S.) Inc.	Delaware	100
Syracuse China Corporation	Delaware	100
Canadian Pacific Securities Limited	Canada	100
Chateau Insurance Company	Canada	99.9

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(1) Reduced to 51% in January, 1985.

(2) Does not include the 40% of voting securities of Fording Coal Limited owned by Cominco Ltd.

(3) Does not include the 34.5% of voting securities of AMCA International Limited owned by The Algoma Steel Corporation, Limited.

Item 8 - Directors and Officers

Reference is made to information concerning the directors of CP set out in the 1985 Proxy Statement at pages 4 through 8, which information is incorporated by reference herein. CP has both an Executive Committee and an Audit Committee. Except for shares deemed beneficially owned by Messrs. Paul Desmarais, O.C. and James W. Burns, and by Mr. Clifford A. Fielding (see footnotes (1) and (2) respectively, on pages 2 and 3 of the 1985 Proxy Statement which is incorporated by reference herein), each director and the directors and officers as a group do not beneficially own in excess of 1% of any class of voting securities of CP or its subsidiaries. Certain additional information is presented on pages 11 through 13 herein.

Certain information concerning the officers of CP is presented on pages 14 through 16 herein.

Directors

Name	Residence		Principal Occupation(s) Within Past 5 Years
Lloyd Ingram Barber, O.C., Ph.D.	Regina, Saskatchewan		President University of Regina
Frederick Stewart Burbidge	St. Lambert, Quebec	1981-Date	Chairman and Chief Executive Officer
		1972-1981	President
James William Burns	Montreal, Quebec	1979-Date	President, Power Corporation of Canada
Robert William Campbell	Calgary, Alberta	1984-Date	Chairman and Chief Executive Officer, Canadian Pacific Enterprises Limited
		1982-1984	Vice-Chairman & Chief Executive Officer, Canadian Pacific Enterprises Limited
		1971-1982	Chairman and Chief Executive Officer, PanCanadian Petroleum Limited
Paul Guy Desmarais, O.C.	Westmount, Quebec		Chairman and Chief Executive Officer, Power Corporation of Canada
Clifford Alexander Fielding	Sudbury, Ontario		Honorary Chairman and Chief Executive Officer, Alexander Centre Industries Limited
Allard Jiskoot	Baarn, Netherlands	1981-Date	Director and Former Chairman of the Board, Pierson, Heldring & Pierson N.V.
		1975-1981	Chairman of the Board of Managing Directors, Pierson, Heldring & Pierson N.V. and Managing Director of Amsterdam-Rotterdam Bank N.V.

Directors (Continued)

Name	Residence		Principal Occupation(s) Within Past 5 Years
Ardagh Sidney Kingsmill, Q.C.	Toronto, Ontario		Partner, Tilley, Carson & Findlay
Donald Charles Matthews	Calgary, Alberta		President and General Manager, Highland Stock Farms Ltd.
William Earle McLaughlin, O.C.	Westmount, Quebec	1980-Date	Director and Former Chairman of the Board, The Royal Bank of Canada
		1979-1980	Chairman of the Board, The Royal Bank of Canada
Stanley Albert Milner	Edmonton, Alberta		President and Chief Executive Officer, Chieftain Development Co. Ltd.
John Henderson Moore	London, Ontario	1985-Date	Corporate Director
		1981-1985	Chairman, Executive Committee of the Board of Directors, London Life Insurance Company
		1969-1980	Chairman, John Labatt Limited
William David Mulholland	Georgetown, Ontario	1981-Date	Chairman and Chief Executive Officer, Bank of Montreal
		1979-1981	President and Chief Executive Officer, Bank of Montreal
Paul Leo Paré, O.C.	Montreal, Quebec		Chairman and Chief Executive Officer, Imasco Limited
The Rt. Hon. Lord Polwarth T.D., D.L.	Roxburghshire, Scotland		Director, Bank of Scotland
Claude Pratte, Q.C.	Quebec, Quebec		Partner, Stein, Monast, Pratte & Marseille

Directors (Continued)

Name	Residence	Principal Occupation(s) Within Past 5 Years	
Lucien Gilbert Rolland, O.C.	Montreal, Quebec	1985-Date	Chairman and Chief Executive Officer, Rolland inc.
		1984-1985	Chairman, President and Chief Executive Officer, Rolland inc.
		1978-1984	President and Chief Executive Officer, Rolland inc.
Alexander McInnes Runciman, O.C.	Winnipeg, Manitoba	1981-Date	Former President, United Grain Growers Limited
		1961-1981	President, United Grain Growers Limited
Thomas Grant Rust	Vancouver, British Columbia	1984-Date	Chairman of the Board, Crown Forest Industries Limited
		1976-1984	Chairman, President and Chief Executive Officer, Crown Forest Industries Limited (formerly Crown Zellerbach Canada Limited)
Frank Howard Sherman	Hamilton, Ontario	1983-Date	Chairman and Chief Executive Officer, Dofasco Inc.
		1982-1983	Chairman, President and Chief Executive Officer, Dofasco Inc.
		1964-1982	President and Chief Executive Officer, Dofasco Inc.
William Wade Stinson	Montreal, Quebec	1981-Date	President
		1979-1981	Executive Vice-President, CP Rail
Jean Casselman Wadds, O.C.	Brockville, Ontario	1983-Date	Commissioner, Royal Commission on the Economic Union and Development Prospects for Canada
		1979-1983	Canadian High Commissioner to the United Kingdom
Raphael David Wolfe, C.M.	Willowdale, Ontario	1983-Date	Chairman and Chief Executive Officer, The Oshawa Group Limited
		1977-1983	Chairman of the Board and President, The Oshawa Group Limited

Officers

Name	Residence	Principal Occupation(s) Within Past 5 Years	
Frederick Stewart Burbidge	St. Lambert, Quebec	1981-Date	Chairman and Chief Executive Officer
		1972-1981	President
William Wade Stinson	Montreal, Quebec	1981-Date	President
		1979-1981	Executive Vice-President, CP Rail
Russell Stafford Allison	Westmount, Quebec	1984-Date	President CP Rail
		1981-1984	Executive Vice-President, CP Rail
		1974-1981	Vice-President, Eastern Region
John Crawford Anderson	Beaconsfield, Quebec	1981-Date	Vice-President Personnel
		1968-1981	Vice-President Industrial Relations
James Duncan Bromley	West Vancouver, British Columbia	1984-Date	Senior Regional Vice-President, Pacific, CP Rail
		1977-1984	Vice-President, Pacific Region
John Paul Thomas Clough	Montreal West, Quebec	1979-Date	Vice-President Finance and Accounting
D'Alton Corry Coleman	Toronto, Ontario	1981-Date	Vice-President, Eastern Region
		1978-1981	Assistant Vice-President, Marketing and Sales
Robert Colosimo	Pointe-Claire, Quebec	1981-Date	Vice-President Industrial Relations, CP Rail
		1977-1981	Assistant Vice-President, Industrial Relations
John Fox	Calgary, Alberta	1982-Date	Vice-President-Engineering, Special Projects, CP Rail
		1976-1982	Chief Engineer

Officers (Continued)

Name	Residence	Principal Occupation(s) Within Past 5 Years	
James Hamilton Geddis	Calgary, Alberta	1983-Date	Vice-President Transportation Development, CP Rail
		1978-1983	Chief of Transportation
Robert Currie Gilmore	Calgary, Alberta	1984-Date	Executive Vice-President CP Rail
		1977-1984	Vice-President Marketing and Sales
John Picton Kelsall	Pointe-Claire, Quebec	1982-Date	Vice-President Operation and Maintenance
		1980-1982	General Manager, Operation and Maintenance, Eastern Region
		1980	Superintendent Sudbury Division
		1978-1980	Superintendent Schreiber Division
Donald Spencer Maxwell, Q.C.	Ottawa, Ontario		Vice-President Law and General Counsel
James Albert McDonald	Westmount, Quebec	1981-Date	Vice-President Industry Relations
		1974-1981	Vice-President Corporate Development
Charles Ronald Pike	Winnipeg, Manitoba	1982-Date	Vice-President, Prairie Region
		1979-1982	Vice-President Operation and Maintenance
Ronald Thomas Riley	Westmount, Quebec	1981-Date	Vice-President Corporate
		1976-1981	Vice-President Administration
Robert Jamieson Ritchie	Como, Quebec	1984-Date	Vice-President Marketing and Sales, CP Rail
		1981-1984	Assistant Vice-President Marketing

Officers (Continued)

Name	Residence	Principal Occupation(s) Within Past 5 Years	
Ian Barry Scott	Baie D'Urfe, Quebec	1981-Date	Vice-President Administration and Public Affairs
		1973-1981	General Manager, Public Relations and Advertising
George Frank Sekely	Toronto, Ontario	1983-Date	Vice-President Computers and Communications
		1972-1983	Director of Information Systems
Frank Wallace	Dollard des Ormeaux, Quebec	1984-Date	Vice-President Purchases and Materials
		1971-1984	Director, Cost Analysis
Derek James Deegan	Pointe-Claire, Quebec	1984-Date	Secretary
		1971-1984	Assistant Secretary
David Edward Sloan	Toronto, Ontario		Treasurer
John Thomson	Montreal, Quebec	1983-Date	Comptroller
		1981-1983	Assistant Comptroller
		1977-1981	Director of Taxation
Paul Bernadet	Montreal, Quebec		Assistant Secretary
Robert Edward Church	Pointe-Claire, Quebec		Assistant Secretary
Robert Leonard William Partridge	Montreal, Quebec		Assistant Secretary
Walter Edgar Reeve	Kent, England		Deputy Secretary and Registrar
Denis Raymond Keast	Kent, England		Assistant Treasurer
Donald Grant MacDonald	Oakville, Ontario		Assistant Treasurer

Item 9 - Additional Information

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of CP's securities and interests of insiders in material transactions, is set out on pages 9 to 13 of the 1985 Proxy Statement, which information is incorporated by reference herein.

Additional financial information is provided in CP's comparative financial statements for the year ended December 31, 1984 on pages 19 through 55 in the 1984 Annual Report, which is also included by reference herein.

Copies of the 1984 Annual Report, the 1984 Form 10-K and the 1985 Proxy Statement are available to interested persons upon request to the Secretary of the Corporation.

Item 10 - Certificate

The foregoing, together with any information incorporated by reference, contains no untrue statement of a material fact that is required to be stated herein in accordance with the requirements of this Annual Information Form or that is

necessary to make a statement contained herein not misleading in light of the circumstances in which it was made.

DATED as of the 1st day of May, 1985.

"F.S. Burbidge"
F.S. Burbidge
Chairman and Chief
Executive Officer

"J.P.T. Clough"
J.P.T. Clough
Vice-President
Finance and Accounting

"Lucien G. Rolland"
Lucien G. Rolland
Director

"W.E. McLaughlin"
W.E. McLaughlin
Director

Canadian Pacific Limited

Form 10-K Annual Report for Year Ended December 31, 1984

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
ANNUAL REPORT

PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1984 Commission file number 1-1342-2

CANADIAN PACIFIC LIMITED

Canada
910 Peel Street
P.O. Box 6042, Station A,
Montreal, Quebec, Canada, H3C 3E4

I.R.S. Employer Identification No.
98-0001377

514-395-5151
Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
(a) Perpetual 4% Consolidated Debenture Stock	New York Stock Exchange
(b) Ordinary Shares without nominal or par value	" " " "

Securities registered pursuant to Section 12(g) of the Act:

None.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No -

The aggregate market value of the voting shares held by non-affiliates of the Registrant on March 11, 1985 was $4,348,544,652.
As at March 11, 1985, there were 71,662,280 Ordinary Shares, without nominal or par value, outstanding.

Documents Incorporated by Reference:
Annual Report to the shareholders for the year ended December 31, 1984
- Part I, Item 3
- Part II, Items 5-8

Proxy Statement dated March 11,1985 - Part III.

CANADIAN PACIFIC LIMITED

1984 FORM 10-K ANNUAL REPORT

TABLE OF CONTENTS

PART 1

In this Form 10-K, unless otherwise specified, all dollar amounts are expressed in Canadian dollars. Since June 1970, the Government of Canada has permitted a floating exchange rate to determine the value of the Canadian dollar against the U.S. dollar. The high, low, closing and average spot rates for the Canadian dollar in terms of U.S. dollars for the three years ended December 31, 1984, as reported by the Bank of Canada, were as follows:

	1984	1983	1982
High	$0.8038	$0.8208	$0.8446
Low	0.7486	0.7990	0.7680
Closing	0.7566	0.8036	0.8138
Average	0.7723	0.8114	0.8103

Item 1. Business

Canadian Pacific Limited (CP Limited, or Corporation) directly and through subsidiaries, carries on transportation and related operations consisting of railways, airlines/hotels, ocean shipping, trucking, telecommunications and certain ancillary activities.

CP Limited also has an investment in **Canadian Pacific Enterprises Limited** (Enterprises). This holding represented 69.86% of the total common shares of Enterprises at year-end 1984. Enterprises is a diversified international business conducting its operations through subsidiary companies.

The average number of employees of CP Limited and Enterprises was approximately 120,000 in 1984.

Revenues, expenses, net income and identifiable assets of CP Limited and of Enterprises by segment, and similar information by principal geographic area, are shown in the Annual Report (Exhibit 13A) on pages 19, 25, 36 and 37, respectively.

Following is information concerning the business and properties of CP Limited's transportation operations and of Enterprises.

Transportation

Railways

CP Limited's 14,924-mile railway system, **CP Rail**, serves all Canadian Provinces except Prince Edward Island and Newfoundland, with lines extending from Halifax, Nova Scotia to Vancouver, British Columbia and on Vancouver Island. The system serves most of the principal cities of Canada, including Montreal, Toronto, Ottawa, Winnipeg, Regina, Calgary and Edmonton and also connects with several major railroads in the United States, including Boston and Maine, Conrail, Chessie System, Soo Line, Norfolk Southern and Burlington Northern. Of the total mileage operated, 10,657 miles are owned, 3,917 miles are operated under long term or perpetual leases and trackage rights are maintained on 350 miles. At year end there were approximately 62,900 revenue freight train cars, 1,200 diesel locomotives and 5,500 units of work equipment.

The principal sources of CP Rail's freight revenue over the past three years were: coal, intermodal traffic, potash, wheat, pool cars, sulphur, import/export containers, liquefied petroleum gas, iron and steel, wood pulp and lumber.

CP Rail - Operating Statistics

	1984	1983	1982
Revenue tons (millions)	95.2	88.2	84.9
Revenue ton miles (millions)	67,494	62,436	59,082
Gross ton miles per train hour	124,193	121,942	116,927
Train speed (miles-per-hour)	25.1	25.0	24.9
Train weight (gross tons)	4,951	4,873	4,688

Western Grain Rates - On January 1, 1984, the Western Grain Transportation Act, enacted by Parliament in November 1983, became effective. This Act brought to an end the statutory grain freight rates which were fixed in 1925, and terminated the Government's ongoing payments towards the cost of operating uneconomic western branch lines. The Act also brought to an end the interim grain payments made in 1983 by the Federal Government to Canadian railways pending passage of the new legislation.

The Act provides for payment by the Government to the railways of a sum (the "Crow Benefit") which will reach approximately $650 million annually, before income taxes, by the 1986/87 crop year. In addition, the Act provides for payment by the Government to the railways for any cost increases for the movement of grain over and above designated percentage increases to be borne by shippers.

The Act calls for a comprehensive review in the 1985/86 crop year of its effects on the transportation, shipping and handling of grain.

Government Payments - The National Transportation Act provides for compensation to carriers for uneconomic facilities and services required to be operated in the national interest. In general, this compensation includes 100% of losses on a variable cost basis incurred with respect to certain railway branch lines and payments for maintenance of low rates on certain traffic. In addition, up until April 1, 1979 when VIA Rail Canada Inc. completed the takeover of all inter-city passenger services, CP Rail was compensated for 80% of the losses sustained on such services. Under an agreement with VIA, CP Rail is now compensated directly by VIA for 100% of CP Rail's costs that vary with passenger trains operated for VIA.

Government payments on the accrual basis amounted to $225.6 million in 1982, $207.0 million in 1983 and $26.1 million in 1984.

Wage Contracts - Two-year railway labour contracts signed in 1982 were extended an additional year to the end of 1984 under the Federal Government's public sector wage-control measures. Wage increases in the last two years were restricted to 6% in 1983 and 5% in 1984. Negotiations on new contracts are currently in progress.

Other Railways - CP Limited owns 55.74% of the stock of **Soo Line Corporation**, a holding company formed at the end of 1984, which now holds all the shares of Soo Line Railroad Company (Soo Railroad). Soo Railroad is an interstate carrier of freight by rail conducting operations over 4,628 miles of road in seven states - Minnesota, Wisconsin, Illinois, North and South Dakota, Michigan and Montana. Soo Railroad connects with CP Limited's railway system at Sault Ste. Marie, Ontario, Emerson, Manitoba and North Portal, Saskatchewan. Revenue freight equipment consists of approximately 12,000 freight cars and 240 locomotives.

On February 19, 1985, Soo Line Corporation purchased the transportation operations and related assets of the Milwaukee Road. Certain parties have appealed the decision of a U.S. reorganization court which accepted Soo Line Corporation's bid over a higher competing bid. The combined Soo/Milwaukee will operate approximately 7,700 miles of road in twelve states.

CP Limited owns 100% of the stock of The Toronto, Hamilton and Buffalo Railway Company, which operates between the Toronto/Hamilton area in Ontario and the Buffalo/Niagara Falls area in New York.

Environment - Expenditures required for CP Rail and Soo Line Corporation to comply with government environmental regulations are not material.

Competition - The major competitor of CP Rail is the Government-owned Canadian National Railways, which operates a transcontinental railway system serving most of the same principal centres as CP Rail. Local and long distance trucking companies, including CP Limited's own subsidiaries described below, as well as water, air and pipeline carriers, are competitive with the railway.

Soo Railroad is subject to intense competition from other U.S. railroads as well as from truckers and in some instances from water carriers and pipelines.

Airlines/Hotels

Canadian Pacific Air Lines, Limited, wholly-owned by CP Limited and incorporated under the laws of Canada, operates an air carrier, CP Air, and a hotel chain, CP Hotels. Its wholly-owned subsidiary Eastern Provincial Airways Limited, incorporated under the laws of Newfoundland, operates as an air carrier in Atlantic Canada.

Airline Operations

CP

CP Air has approximately 55,000 international route miles, and 8,600 Canadian route miles. CP Air operates a Canadian transcontinental service and serves the following international and transborder points: Tokyo, Hong Kong, Honolulu, Nandi (Fiji), Sydney, San Francisco, Los Angeles, Buenos Aires, Lima, Santiago, Amsterdam, Lisbon, Rome and Milan. In addition to its Canadian transcontinental services, CP Air operates local services between a number of points in Western Canada, including the Yukon.

Aside from its regular scheduled services, CP Air operates charter flights to a number of transborder and international destinations.

The following table provides certain CP Air operating statistics:

	1984	1983	1982
Revenue passengers carried (thousands)	3,494	3,268	3,290
Revenue passenger miles (millions)	6,358	5,735	5,531
Available seat miles (millions)	9,081	8,196	8,447
Passenger load factor (%)	70.0	70.0	65.5
Yield per revenue passenger mile (cents)	11.79	11.54	11.62
Cargo ton miles (millions)	208.1	184.0	165.4

At year-end 1984, CP Air's operating fleet consisted of thirty-one aircraft - nineteen Boeing 737-200's, four Boeing 747-200's, five DC-10-30's and three DC-10-10's. The three DC-10-10's are leased from United Airlines in exchange for three longer-range DC-10-30's from CP Air. On order are up to ten new Boeing 737-300's to be delivered over the period 1985 to 1988, with the first three scheduled for delivery in 1985.

CP Air competes with Air Canada, regional air carriers, and a number of large international carriers.

Eastern Provincial Airways Limited

Eastern Provincial Airways (EPA) was purchased on August 31, 1984. EPA operates a regional airline serving the provinces of Newfoundland, Nova Scotia, Prince Edward Island and New Brunswick with routes to Montreal and Toronto. EPA also operates a limited number of charter flights to the United States and the Caribbean.

The following table provides certain EPA operating statistics:

	1984	1983	1982
Revenue passengers carried (thousands)	823	557	788
Revenue passenger miles (millions)	393	291	395
Available seat miles (millions)	702	539	733
Passenger load factor (%)	56.0	54.0	53.9
Yield per revenue passenger mile (cents)	20.7	20.8	19.6
Cargo ton miles (thousands)	4,522	3,690	5,235

At December 31, 1984, EPA's operating fleet consisted of twelve aircraft - six Boeing 737's and six Hawker Siddeley 748 turbo-prop aircraft (the latter include two leased aircraft).

Hotel Operations

Canadian Pacific Hotels (CP Hotels), acquired by Canadian Pacific Air Lines, Limited on December 1, 1983, operates Canadian and international hotels, which it owns, leases or manages.

The following table shows the hotels operated by CP Hotels and their locations and number of rooms as of December 31, 1984:

Hotel	Location	No. of Rooms
Owned:		
Royal York	Toronto, Ontario	1,600
Le Château Frontenac	Quebec City, Quebec	500
Le Château Champlain	Montreal, Quebec	614
The Empress	Victoria, British Columbia	416
The Palliser	Calgary, Alberta	342
Chateau Airport	Calgary, Alberta	288
Chateau Halifax	Halifax, Nova Scotia	305
Le Château Montebello	Montebello, Quebec	204
Le Château de l'Aéroport	Mirabel International Airport (Montreal, Quebec)	361
Chateau Lake Louise	Lake Louise, Alberta	375
Banff Springs	Banff, Alberta	525
Red Oak Inn	Peterborough, Ontario	186
Red Oak Inn	Thunder Bay, Ontario	182
		5,898
Leased:		
Le Baron	Trois-Rivières, Quebec	102
Hamburg Plaza	Hamburg, West Germany	570
Frankfurt Plaza	Frankfurt, West Germany	591
		1,263
Managed:		
Chateau Lacombe	Edmonton, Alberta	320
The Algonquin	St. Andrews, New Brunswick	190
Jerusalem Plaza	Jerusalem, Israel	414
Tiberias Plaza	Tiberias, Israel	272
Red Oak Inn	Windsor, Ontario	146
		1,342

CP Hotels also owns and operates free-standing restaurants and provides airline catering services in Canada.

In March 1985 CP Hotels began operating, under a lease agreement, the newly built Bremen Plaza in Bremen, West Germany.

The provision of hotel space is a highly competitive business and CP Hotels has a relatively small share in the markets in which it operates. Price and service are the dominant competitive elements in hotel markets.

Ocean Shipping

Through subsidiary companies, CP Limited is engaged in bulk shipping and container operations.

Canadian Pacific (Bermuda) Limited, a wholly-owned subsidiary which was incorporated under the laws of Bermuda, owns and operates a diversified fleet of tankers and dry bulk carriers principally in the service of non-affiliated companies. The fleet operates in a broad market, trading in crude oil and oil products, a range of dry bulk goods, notably grain, coal, and iron ore, and clean liquid and chemical products, such as vegetable oils and caustic soda solution.

During 1984 a new 64,000-ton Panamax bulk carrier was added to the fleet and three older bulk carriers were sold. The wholly-owned fleet at December 31, 1984 consisted of four very large and medium size crude oil carriers with a total dead weight tonnage (D.W.T.) of about 647,000 tons, twelve product carriers totalling approximately 373,000 D.W.T., ten geared and gearless bulk carriers of some 480,000 D.W.T., and eight Panamax bulk carriers with a total of approximately 490,000 D.W.T. The majority of these vessels are currently operating in the spot market. In February 1985 two tankers were sold.

Effective January 1, 1984, pursuant to an agreement with Compagnie Maritime Belge S.A., a new Bermuda-based subsidiary company, now called Canada Maritime Limited, was created to provide co-ordinated container service with Manchester Liners between Canada and Western Europe. The co-ordinated service involves the operation of four large container vessels which call at the ports of Montreal, Felixstowe (England), LeHavre, Antwerp and Hamburg.

In addition, four container vessels were employed in charter operations during 1984.

Racine Terminal (Montreal) Limited, a subsidiary of CP Limited, operates a common-user container terminal at the port of Montreal.

CP Limited is also a joint owner of Brunterm Limited, which operates a container terminal at the port of Saint John, New Brunswick.

Trucking

Wholly-owned subsidiaries of CP Limited provide trucking and express services, under the name **Canadian Pacific Express & Transport Ltd.**, in 202 locations from coast to coast in Canada and in the eastern United States through 9 terminals. These subsidiaries operate approximately 1,600 trucks, 3,200 highway trailers, 475 city trailers, 500 city tractors and 530 highway tractors. Canadian Pacific Express & Transport has two main operating divisions: a General Commodity division that is essentially a less-than-truckload carrier and a Special Commodities division that includes bulk and truckload operations, household moving, parcel delivery and air courier services. These operations are widespread and are subject to competition from other carriers of all types.

During 1984 Canadian Pacific Express & Transport acquired four trucking companies operating in Saskatchewan and one in Ontario.

CanPac International Freight Services Inc., wholly-owned by CP Limited, engages in customs brokerage, international freight forwarding by land, sea and air for the Canadian export and import trade, bulk liquid storage and warehousing.

Telecommunications

CP Limited and Canadian National Railways (CN) operate an equal partnership under the name CNCP Telecommunications. The partnership is a comprehensive communications system providing a full range of voice and data services for the business community as well as telegraph service for the general public. Telex, telegraph and other services are made available throughout the world through interconnecting arrangements with the Western Union Telegraph Company and Teleglobe Canada. These telecommunications operations compete with Telecom Canada, the largest member of which is Bell Canada.

CNCP Telecommunications is awaiting a decision by the regulatory authority on an application, made late in 1983, for enhanced interconnection which would enable it to compete directly with telephone companies for the provision of long distance public telephone service.

CP Limited also operates with CN an equal partnership known as Telecommunications Terminal Systems. The partnership provides a full telephone equipment interconnect service for business telephone users.

Consulting Services

Canadian Pacific Consulting Services Ltd., a wholly-owned subsidiary, utilizes the resources and expertise of the group to provide engineering, economic research and management consulting services in the areas of transportation, communications, hotel and resource development. Its clients include a number of major international development agencies, Canadian and foreign governments and private companies.

Canadian Pacific Enterprises Limited

Oil and Gas

Enterprises owns 87.1% of the shares of PanCanadian Petroleum Limited ("PanCanadian") which is engaged, directly and through subsidiaries, in the exploration for and the production of petroleum, natural gas and related hydrocarbons. It is a major producer of crude oil and natural gas in Canada and has a 50% interest and an 8% interest, respectively, in two plants located at Empress, Alberta, which extract natural gas liquids (including ethane) from main transportation lines of a major pipeline company carrying natural gas out of Alberta. PanCanadian also has a 4% interest in the Syncrude synthetic crude oil project and a 35% interest in a methanol plant located in Edmonton, Alberta. In 1982 through 1984, sales of natural gas and natural gas liquids accounted for approximately 48% of total revenues.

PanCanadian conducts extensive exploration in western Canada, principally Alberta, where the majority of its proved reserves and present production are located. Over the past several years, it has expanded its exploration program to include Canadian frontier regions, the United States and other areas outside Canada. Set forth below is information relating to PanCanadian's exploration and development activities, land holdings, production, petrochemicals interest and competition and governmental regulation. For information on oil and gas producing activities prepared in accordance with Financial Accounting Standards Board Statement No. 69, see Supplementary Data in the Annual Report to Shareholders; such information is incorporated herein by reference.

Enterprises, through PanCanadian and another subsidiary, Cominco Ltd., described under "Mines and Minerals", has a net 11% equity interest in Panarctic Oils Ltd. ("Panarctic") which is engaged in oil and gas exploration in the Arctic Islands where Panarctic reported it controls oil and gas rights in approximately 30 million gross (12 million net) acres. Through Panarctic Oils Ltd., PanCanadian participated in three offshore wells and one onshore well during the 1983-84 drilling season.

Exploration and Development - Information concerning the number of PanCanadian's net working interest exploration wells drilled in 1982 through 1984 is set forth below:

	Oil	Gas	Abandoned	Facility	Total
Canada					
1984	147.8	65.0	93.0	1.8	307.6
1983	91.7	47.6	66.6	0.2	206.1
1982	69.1	54.8	64.6	-	188.5
United States					
1984	4.4	0.6	9.5	-	14.5
1983	3.5	1.7	6.4	-	11.6
1982	3.1	2.2	6.6	-	11.9
Other Areas					
1984	-	-	-	-	-
1983	-	-	0.3	-	0.3
1982	-	-	0.6	-	0.6
Totals					
1984	152.2	65.6	102.5	1.8	322.1
1983	95.2	49.3	73.3	0.2	218.0
1982	72.2	57.0	71.8	-	201.0

Information concerning the net working interest development wells, substantially all of which are located in western Canada, is set forth below:

	Oil	Gas	Abandoned	Facility	Total
1984	104.0	17.4	16.2	6.4	144.0
1983	52.9	89.2	13.4	-	155.5
1982	22.2	74.4	2.9	1.9	101.4

At December 31, 1984, PanCanadian had 25 gross or 10.7 net wells in the process of being drilled. Gross wells are the total wells in which PanCanadian has a working interest. Net wells are the sum of PanCanadian's fractional working interests in gross wells. A facility (or service) well is one drilled for the purpose of supporting production in an existing field. In general, an exploration well is a well drilled either in search of a new and as yet undiscovered pool of oil or gas or with the expectation of greatly extending the limits of a pool which is partly developed. All other wells are development wells.

In 1984, PanCanadian's exploration and development activities concentrated on the search for crude oil, primarily in western Canada.

During 1984 PanCanadian had a working interest in the drilling of 599 wells onshore in Canada. These wells included 412 exploration wells and 187 development wells and resulted in 335 oil wells and 107 gas wells. In addition, PanCanadian had a royalty interest in 471 wells drilled during the year, which resulted in 185 oil wells and 245 gas wells. Offshore exploration activities were mainly carried out pursuant to a farm-in agreement covering lands offshore Newfoundland. Mobil et al North Dana I-43, which commenced drilling in 1982, was plugged and abandoned in January 1984. PanCanadian and partners have earned the option to acquire additional lands in the Grand Banks area, offshore Newfoundland by drilling additional wells. Seismic evaluation continued in 1984 with respect to these lands and other possible farm-in opportunities.

In the United States, PanCanadian had a working interest in 37 exploratory wells and 28 development wells drilled in 1984 which resulted in 33 oil wells and five gas wells. In addition, PanCanadian had a royalty interest in 21 wells drilled in the same period, resulting in ten oil wells.

Seismic evaluation continued in the United Kingdom sector on Blocks 13/29 and 29/5b in which the company has interests of 16% and 25%, respectively. In 1984, PanCanadian's international exploration activity consisted of participation in a well in Block 48/18b in the United Kingdom sector of the North Sea. The well commenced drilling in November 1984.

Land Holdings. At December 31, 1984 PanCanadian held working interests in approximately 8.4 million net acres, including ownership of approximately 6.7 million acres of freehold lands and 0.4 million acres of freehold leases. In addition, 3.1 million acres of freehold lands owned by PanCanadian are leased to others with royalties reserved for PanCanadian.

Set forth below is PanCanadian's gross and net developed acreage at December 31, 1984:

	Oil	Natural Gas
Gross Developed Acres	256,360	2,152,480
Net Developed Acres	185,440	1,679,400

Developed acres are those acres included in the production spacing units assigned to wells which were capable of production at the date specified. Substantially all of PanCanadian's developed acreage is in Canada. Gross acres are the total number of acres in which working interests are owned, and net acres are the sum of fractional working interests owned in gross acres.

At December 31, 1984, PanCanadian's undeveloped acreage holdings were as follows:

	Reservations, Permits, Licences and Concessions (1)		Leases and Freehold Titles
	Gross	Net	Net
Canada			
Western Canada	602,405	227,903	5,709,523 (2)
Frontier Canada	869,835 (3)	219,532 (3)	- (3)
United States	-	-	354,326
North Sea (U.K.)	244,826	44,732	-
Total Undeveloped Acres	1,717,066	492,167	6,063,849

(1) Reservations, permits, licences and concessions grant the holder thereof rights to explore for petroleum and natural gas, and to select leases of portions (generally 40% to 100%) of the lands subject thereto. The duration, terms and amount of work obligation and the percentage convertible to lease vary with different jurisdictions. In general, retention of rights requires specified exploration expenditures or cash payments.

(2) Excludes PanCanadian's royalty interest in 348,457 gross freehold acres leased to others.

(3) Excludes PanCanadian's interest in the undeveloped acreage of Panarctic Oils Ltd.

Early in 1985, PanCanadian purchased certain oil and gas interests in the United States. The purchase price was U.S. $45 million.

Production. The table below sets out the net quantities of crude oil, natural gas, natural gas liquids and sulphur produced by PanCanadian during each of the three years ended December 31, 1984:

	1984	1983	1982
		(in thousands)	
Production from conventional oil and gas properties			
Crude Oil (barrels)	14,258	12,472	11,241
Natural Gas (Mcf)	123,300	105,230	115,285
Natural Gas Liquids (barrels)	1,717	1,480	1,222
Sulphur (long tons)	97	104	100
Other Production			
Natural Gas Liquids From Empress Plants (barrels)	6,012	4,953	6,967
Methanol (long tons)	265	209	-
Synthetic Crude Oil (barrels)	1,247	1,348	1,032

Net quantities are shown after deduction of the applicable mineral owner or government royalty (or tax in lieu of royalty) converted into a volume of production on a percentage basis. Production is substantially all from Canada. PanCanadian's production of oil and natural gas in Canada is limited by amounts determined by provincial and federal regulatory authorities. See "Competition and Governmental Regulation".

The number of wells producing or capable of producing, in which PanCanadian had a working interest at December 31, 1984 were as follows:

Oil		Natural Gas		Total	
Gross	Net	Gross	Net	Gross	Net
4,322	1,350	4,373	2,665	8,695	4,015

Over 96% of gross wells and 98% of net wells are located in western Canada, of the remainder, over 99% are in the United States. PanCanadian also has varying royalty interests in production from 7,908 oil wells and 4,714 gas wells in western Canada.

PanCanadian's average sale prices and average production (lifting) costs per unit during the three years ended December 31, 1984 were as follows:

	Average Sale Price per Unit	Average Working Interest Production Cost per Unit	Average Production Cost Per Unit
Oil (excluding Syncrude) (barrels)			
1984	$32.37	$5.40	$3.92
1983	30.24	5.13	3.43
1982	24.91	4.92	3.19
Natural Gas (Mcf)			
1984	2.73	0.42	0.33
1983	2.65	0.56	0.44
1982	2.64	0.49	0.38
Empress Plant Natural Gas Liquids (barrels)			
1984	16.17	10.84	10.84
1983	15.85	9.46	9.46
1982	13.95	8.41	8.41
Other Natural Gas Liquids (barrels)			
1984	24.63	-*	-*
1983	25.54	-*	-*
1982	20.21	-*	-*
Sulphur (long tons)			
1984	67.69	-*	-*
1983	64.99	-*	-*
1982	80.03	-*	-*

*Production costs for natural gas liquids and sulphur are included in natural gas production costs.

Sale prices of oil and natural gas in Canada are regulated by the Government of Canada. See "Competition and Governmental Regulation".

PanCanadian is not engaged in the manufacture or retail marketing of petroleum products (activities such as refining, transportation and distribution) and sells its oil and other liquids to refiners and others under short term arrangements. Natural gas liquids extracted at the Empress plants and purchased from others are sold to wholesalers in the United States and Canada under short term arrangements. Ethane extracted at the Empress plants is sold for petrochemical uses under long term contracts. Natural gas is sold principally

under long term contracts with gas transmission companies. These contracts provide for the purchase of natural gas up to specified maximum volumes at prices prevailing at the time of delivery. PanCanadian's obligation to deliver the volumes of natural gas called for under such contracts is dependent upon its ability to produce from the lands dedicated to those contracts.

Petrochemicals. PanCanadian has a 35% interest in a methanol manufacturing plant in Edmonton, Alberta. The plant commenced commercial production in January 1983 and has a production capacity of 2,100 tonnes of methanol per day. The other participants are a Canadian based producer and marketer of petrochemicals, which operates the project, and one of its United States affiliates which is an international producer and marketer of petrochemicals. The methanol is being sold mainly in the international market.

Competition and Governmental Regulation. The petroleum and natural gas industry operates in Canada under federal and provincial legislation regulating land tenure, production rates, pricing, environmental protection, exports, taxation and other matters.

The Government of Canada has entered into agreements with certain oil and gas producing provinces respecting the pricing and taxation of the petroleum and natural gas industry. Under these agreements, which expire on December 31, 1986, the respective governments have agreed not to introduce further taxes, royalties or levies specific to the oil and gas producing industry other than those set out in the agreements, nor to alter existing taxes, royalties or expenditures in a manner which will significantly reduce the aggregate revenues flowing to the industry or to the other government.

These agreements introduced pricing systems for "old" oil and "new" oil which includes synthetic oil and oil from federal lands. Under the September 1, 1981 agreement applicable to Alberta, where PanCanadian derives the bulk of its production, the reference price for "old" oil (defined as oil discovered prior to 1981, excluding incremental oil from enhanced recovery projects) increased $2.25 per barrel January 1 and July 1, 1982, and $4.00 per barrel January 1, 1983. For "new" oil a New Oil Reference Price ("NORP") was established effective January 1, 1982. The agreement provides for scheduled increases in the prices for both categories of oil, with a maximum price being established at a certain percentage (75% in the case of "old" oil and 100% in the case of "new" oil) of the international price of oil in Montreal, as defined in the agreement. Effective July 1, 1982, crude oil discovered from 1974 to 1980 inclusive, received the Special Old Oil Price adjusted for quality and location. The Special Old Oil Price is 75% of the prevailing NORP in Montreal. On June 30, 1983, the Governments of Canada and Alberta amended the pricing provisions contained in the September 1, 1981, agreement. As a result of the amendment, which covers the period from July 1, 1983 to December 31, 1984, and was recently extended to March 31, 1985, the price received for oil discovered prior to 1974 will be held at the level prevailing at June 30, 1983, and crude oil discovered between 1974 and 1981 will receive the prevailing NORP. The current price of "old" oil is approximately 78% of NORP, however no immediate roll back to the 75% ceiling is anticipated. Oil pricing in Saskatchewan is similar to that in Alberta.

Under the agreement with Alberta, the price of natural gas destined for domestic markets east of the Province, which applies to the greater part of PanCanadian's gas production, is fixed at the Alberta border and the price was increased by semi-annual increments from $1.82 per thousand cubic feet (Mcf) at September 1, 1981 to $2.94 per Mcf at February 1, 1984. During the period July 1, 1983 through December 31, 1984, the federal government offset any increases, beyond a nominal amount, in the natural gas transmission charges on the TransCanada Pipelines system which would otherwise impact the net back to producers. There will be no increase in the price of natural gas during the period January 1, 1985 through March 31, 1985 due to the extension of the existing amending agreement. The price of natural gas exported to the United States is set by the Government of Canada and was reduced in 1983 from U.S. $4.94 per Mcf to U.S. $4.40 per Mcf. In addition, a volume related incentive price was set at U.S. $3.40 per Mcf through October 31, 1984 for natural gas sales which exceed specified reference levels. The excess of the export price over the domestic price was distributed to all Alberta gas producers in proportion to their respective shares of the aggregate Alberta production of natural gas. To stimulate sales, the federal government announced a new policy for pricing natural gas exports effective November 1, 1984. Under this policy, Canadian exporters may sell natural gas at prices directly negotiated with their buyers, subject to a minimum based on the Toronto City Gate price. United States regulatory agencies have also amended their pricing requirements to permit imports of natural gas which are priced competitively in the markets being served. Accordingly, contracts for the majority of the long term licenced and flowing gas between major Canadian exporters and United States gas buyers have been renegotiated and the new terms have been approved by the Government of Canada.

In order to explore on lands subject to federal jurisdiction, which includes offshore areas, an exploration agreement must be entered into with the federal government. These agreements fix the exploration work to be done and other matters and extend for periods of five to eight years. Subject to certain limitations and exceptions, the Government of Canada retains or has the right to acquire a 25% interest in any rights granted on federal lands. Production from wells drilled on federal lands requires a production licence, the holders of which must have an aggregate Canadian ownership level of at least 50%, including the government's share. To the extent required to meet this ownership level, the holders must transfer a pro-rata portion of their interest to the federal government.

As a result of the National Energy Program ("NEP") and the energy agreements, two federal tax measures were introduced. The Petroleum and Gas Revenue Tax Act imposed a tax ("PGRT") of 8% on royalty income and net oil and gas production revenues after 1980. The PGRT rate was increased to 16% effective January 1, 1982, but was reduced to 14.67% for a period of one year effective June 1, 1982. The PGRT rate was restored to 16% effective June 1, 1983. However, effective January 1, 1982, all royalties and net oil and gas production revenues subject to provincial royalties and other levies are reduced by a 25% resource allowance. The tax is not deductible for income tax purposes. In addition, the federal government introduced the Incremental Oil Revenue Tax

("IORT") which provides for a 50% rate of tax on incremental "old" oil revenues after deduction of related Crown levies. The tax became effective January 1, 1982, but has been suspended for the period June 1, 1982 to May 31, 1985. Incremental revenue represents the excess of the actual revenue to be received under the federal-provincial pricing agreements over that which would have been received under the price schedule set forth in the NEP. Incremental revenue which is subject to IORT is excluded from income for purposes of income tax but is subject to the PGRT.

Federal and Alberta legislation has created a system of direct cash incentives for oil and gas exploration and development. The rate of the incentives depends on the nature of the expenditure, the area of activity, whether the recipient is Canadian controlled and its degree of Canadian ownership ("COR"). PanCanadian has received certification that it is Canadian controlled and its COR is at a level sufficient to entitle it to claim the maximum rate of incentive payments through November 28, 1985. CORs are subject to redetermination at periodic intervals. The minimum COR to qualify for maximum incentives is scheduled to increase in stages to 1986. If PanCanadian's COR falls below such minimum, the rate of incentives will be reduced.

The Government of Canada controls the export of crude oil, natural gas and natural gas liquids from Canada. There are presently no restrictions on the export of heavy crude oil which the National Energy Board determines to be surplus to Canadian needs and which is exported under licences for terms not exceeding one year. The Province of Alberta controls the production and marketing of crude oil produced in that province. The Alberta Energy Resources Conservation Board prorates permitted production according to market demand among producing fields. The Government of Alberta has enacted legislation which enables it to limit the production of oil in Alberta to such quantities as it may from time to time deem to be in the public interest of Alberta. This legislation permits maximum volumes of petroleum production from Alberta Crown agreements or leases to be set below levels that could actually be produced and sold. The Alberta Petroleum Marketing Commission markets all oil produced from Crown lands in that province as well as all oil production receiving the price applicable to new oil.

Mines and Minerals

Enterprises owns a 53.2% equity interest in **Cominco Ltd.** ("Cominco"), which has numerous subsidiary and associated companies. Cominco, including its subsidiary and associated companies, is one of the world's largest mine producers and smelters of zinc and lead with major operations in eight countries. Cominco also produces silver, gold, copper, tin, cadmium, bismuth, indium, diamonds, coal, steel products, fabricated metals, high purity metals and compound semiconductor materials and components for the electronic industry. Cominco is an important producer of fertilizers, which are mainly marketed under the Elephant Brand name in Canada and the United States. The principal products are ammonia, urea, urea-sulphur, ammonium nitrate, ammonium phosphate, ammonium sulphate and potash. The company also produces sulphuric acid and sulphur dioxide.

In response to increased world demand for mineral products and fertilizers, Cominco has broadened its activities over the past decade, both in Canada and internationally.

Sales of principal products by Cominco and its subsidiaries are shown below for the three years ended 1984:

	1984	1983 (in millions)	1982
Refined Zinc	$ 339	$ 231	$ 216
Refined Lead	102	91	93
Zinc Concentrates	137	108	80
Lead Concentrates	34	30	35
Refined Silver	110	142	93
Refined Gold	60	47	48
Chemicals and Fertilizers	536	468	436
Other Processed and Manufactured Goods (including copper)	203	193	171
Other Products and Services	64	65	63
Total	$1,585	$1,375	$1,235

In 1984 sales volumes of most products were higher than in 1983 with the exception of refined lead and lead concentrate. Realized prices for lead, zinc and chemicals and fertilizers were favourable compared to those in 1983 while prices for other products were lower. The decrease in sales revenue of silver and gold was attributable to lower realized prices.

In 1983, sales volumes of refined metals, metal concentrates, other processed and manufactured goods and chemicals and fertilizers were higher with the exception of gold and steel products. Realized zinc prices were up slightly from those in 1982 although realized lead prices were considerably lower. Silver and gold prices were substantially higher in 1983 than 1982 levels but declined in the fourth quarter. The 1983 average realized prices for principal fertilizer products were lower than those realized in 1982.

Metals. The following table sets forth average quoted prices for zinc, lead, gold and silver for the three years ended December 31, 1984.

	Year ended December 31		
	1984	1983	1982
Zinc (U.S. ¢/lb.-U.S. Producer Price)	48.6¢	41.4¢	38.5¢
Lead (U.S. ¢/lb.-U.S. Producer Price)	25.5¢	21.7¢	25.5¢
Gold (U.S. dollars/troy ounce-London Gold Price)	$360.4	$424.3	$375.9
Silver (U.S. dollars/troy ounce-U.S. Silver Price)	$8.1	$11.4	$7.9

Zinc and Lead. Cominco mines zinc and lead at the Sullivan Mine at Kimberley, British Columbia, the Polaris and Pine Point Mines in the Northwest Territories, the Magmont Mine at Bixby, Missouri, the Black Angel Mine in Greenland, the Rubiales Mine in Spain and at the Que River Mine in Tasmania. The following table sets forth certain information with respect to the percentages of ownership of Cominco in the mines, and the proven and probable recoverable zinc-lead ore reserves at mines of Cominco as estimated by Cominco personnel at December 31, 1984. The table also sets out the total ore production of zinc and lead from such properties during 1984, without deduction of reserves and production attributable to minority interests.

		Reserves-Proven & Probable					Production				
		(thousands of short tons)									
			Ore Grade and Tons of Contained Metal					Ore Grade and Tons of Contained Metal			
	% of Cominco	Ore	Zinc		Lead		Ore	Zinc		Lead	
	Ownership	Tons	%	Tons	%	Tons	Tons	%	Tons	%	Tons
Sullivan	100	44,000	6.3	2,772	4.4	1,936	2,725	4.0	109	5.1	139
Polaris	100	22,000	14.3	3,146	3.8	836	903	13.7	124	3.8	34
Pine Point	69	24,000	6.0	1,440	2.7	648	2,512	7.6	191	2.3	58
Magmont	50	7,900	1.2	95	6.5	514	1,115	2.1	23	7.1	79
Black Angel	63	2,000	10.1	202	3.3	66	744	11.0	82	3.0	22
Rubiales	48	11,000	6.8	748	1.1	121	1,016	8.0	81	1.2	12
Que River	42	2,100	12.1	254	7.0	147	218	14.9	32	8.6	19

In the above table and elsewhere under "Mines and Minerals" herein the term "proven" refers to a body of ore so extensively sampled that the risk of failure in continuity of the ore in such body is reduced to a minimum, and the term "probable" refers to a body of ore as to which the risk of failure in continuity is greater than for proven ore, but as to which the assumption of ore continuity is warranted.

In January 1985, Cominco sold shares from its existing holdings in Pine Point Mines Limited for $21 million. This sale reduced Cominco's interest in the company to 51% from 69%.

In 1977 Cominco commenced a phased program of rebuilding and expanding the Trail metallurgical plants and modernizing the Sullivan Mine, both located in British Columbia. The program is being staged to avoid interference with existing production levels. At the end of December 31, 1984, commitments for these and other projects amounted to $59 million, of which $54 million is expected to be spent in 1985.

The new zinc processing facilities at Trail which came into production in 1983 increased the annual capacity from 270,000 tons to 300,000 tons. The Sullivan Mine, which has been operating for 75 years, is being modernized by the introduction of mechanized mining methods in order to substantially improve its efficiency. This program is expected to be completed in 1985.

Cominco's production from the Sullivan Mine and most of the zinc concentrates and part of the lead concentrates produced from Pine Point, are

refined at the Trail metallurgical plants. The balance of Pine Point's production is exported either for sale on world markets or for processing at metallurgical plants owned by an associated lead smelter company in Japan, in which Cominco has a 45% interest. Lead concentrate from the Magmont Mine is tolled through a smelter in the United States, and Cominco's share of the resulting metal as well as the zinc concentrate is sold in the United States. The Polaris and Black Angel Mine zinc concentrates are either sold to European refineries or processed by non-affiliated companies for Cominco under a tolling arrangement. Refined zinc produced under these tolling arrangements is sold by Cominco in Europe. The lead concentrates are sold principally to smelters in Europe. The entire output of the Rubiales Mine has been contracted for sale to smelters in Spain under long term sales agreements. Ore from the Que River Mine is sold to a non-affiliated company.

Cominco owns the Polaris zinc-lead orebody on Little Cornwallis Island in the Canadian Arctic in the Northwest Territories, subject to a 25% royalty interest in the net profits from the project after the recovery of most of the capital costs. In late 1979 Cominco commenced development of the Polaris mine which was brought into production in early 1982 at a cost of $139 million, excluding capitalized interest. Of the estimated tonnage of 26.0 million tons of the Polaris orebody, there are 22.0 million tons of probable recoverable ore with a zinc grade of 14.3% and a lead grade of 3.8%. In addition to these established reserves, other mineralization is known to exist in the area of the Polaris orebody and further drilling studies will be necessary to evaluate fully these deposits.

On February 6, 1982, Cominco American Inc., a wholly-owned subsidiary of Cominco, reached an agreement with NANA Regional Corporation Inc., an Alaskan native corporation, to proceed with the evaluation and potential development of a large, high-grade zinc-lead-silver deposit, known as Red Dog, in northwestern Alaska, estimated to contain 85 million tons having an estimated grade of 17% zinc, 5% lead and 2.4 ounces of silver per ton.

Silver and Gold. In 1984 Cominco produced approximately 11.6 million ounces of silver of which 36% was from its own mines and the remainder from concentrate purchased from others. In 1984 Cominco produced 129,600 ounces of gold of which about 89,100 ounces came from its Con Mine in the Northwest Territories, 3,100 ounces came from the Buckhorn Mine in Nevada, U.S.A., and the remainder was recovered from concentrates purchased from others.

Chemicals and Fertilizers. Cominco owns and operates chemical and fertilizer plants in British Columbia, Alberta, Nebraska, Texas and California. Products produced include ammonia, ammonium nitrate, ammonium phosphate, ammonium sulphate, urea, urea-sulphur and trona. Metallurgical operations at Trail produce sulphuric acid as a by-product primarily for use in the manufacture of fertilizers. Cominco owns and operates a potash mine at Vade, Saskatchewan, which it estimates had extractable ore reserves at December 31, 1984, of approximately 150 million tons of ore with an estimated grade of 25.3% potassium oxide (K_2O). The expansion of production capacity at the potash mine from 0.9 million tons to 1.2 million tons per year was completed in 1982. During 1984 Cominco produced a total of 3.3 million tons of fertilizers, chemicals and potash.

Other Minerals. Cominco has a 100% interest in the Lake Zone orebody which is the largest known porphyry copper deposit in Canada and has the potential to become one of the largest copper mines in the world. This orebody is being developed on a staged basis and began production at the rate of 22,000 tons of ore per day early in 1983. In 1984, the milling rate was increased to 25,000 tons of ore per day.

Cominco holds a 47.1% interest in Aberfoyle Limited, an established mining and investment company, which directly and through its subsidiaries has interests in mines in Australia producing tin concentrate. Aberfoyle's 90% owned Que River zinc-lead-silver mine in Tasmania commenced production in 1981. During 1984, drilling at Hellyer, an important new zinc-lead-silver sulphide discovery, 3 kilometres north of Que River, has indicated approximately 18 million tons of ore grading 18.2% combined zinc/lead, 4.3 oz. silver and 0.1 oz. gold per ton. Underground exploration of the deposit will start in 1985. Cominco's share of the net assets of Aberfoyle totalled approximately $26.9 million at December 31, 1984.

Other Interests. In plants at Trail and Spokane, Washington, Cominco manufactures pure metal products and compound semiconductors for use in the electronics industry. Seventeen elements including aluminum, arsenic, gallium, gold, indium and tellurium are refined to high purity. They are then either sold directly or before sale fabricated into semiconductor packaging components, vapour deposition materials and fine bonding wire. The semiconductors cadmium mercury telluride, gallium arsenide and indium antimonide, are in commercial production for use in infrared radiation detection devices and high speed micro circuits.

Cominco owns two hydro-electric plants near Trail which provide electric power to its Trail and Kimberley industrial operations. West Kootenay Power and Light Company Limited, a wholly-owned subsidiary, owns and operates four hydro-electric plants to provide electric power to residential and industrial consumers in the Kootenay and Okanagan areas of southern British Columbia.

Cominco's other interests include Western Canada Steel Limited and its subsidiaries, which produce steel bars and other products from steel scrap, and a 50% interest in the Canada Metal Company Limited, a secondary lead refiner and producer of related metal products from operations across Canada.

Exploration. Cominco, its subsidiaries and associated companies maintain an active exploration program in many countries. The 1984 exploration expenditures by Cominco, its subsidiaries and associates amounted to $40.9 million in addition to $7.8 million spent on preparation work at the Red Dog property in Alaska. Zinc, lead and gold are the main targets of Cominco's exploration programs but a significant effort is also directed toward the search for silver, copper, tin, diamonds and phosphate rock.

Competition. Cominco competes with other nonferrous metal producers in Canada, the United States, Europe, Pacific Rim countries and South America. In fertilizers, Cominco competes with other fertilizer producers for markets in

Canada, the United States and overseas. These internationally traded commodities are sold at prevailing competitive prices in their respective markets.

Financing. Late in the year, Cominco sold some 1.25 million common shares for total proceeds of $20 million representing a 33% premium over the then current market value. The premium reflected payment by the purchaser for certain tax credits associated with the shares. Early in 1985, a similar transaction was arranged to raise approximately $15 million for Canadian exploration. The common shares will be issued during 1985 as the expenditures are incurred. Enterprises did not participate in these issues.

Coal. **Fording Coal Limited** ("Fording"), owned 60% by Enterprises and 40% by Cominco, is engaged in the development and processing of metallurgical (cleaned coking) coal and thermal (steam) coal reserves in Alberta and southeastern British Columbia. At December 31, 1984, Fording's estimate of proven reserves held was 187 million tonnes of cleaned coking coal and 1.5 billion tonnes of thermal coal. Fording produced and sold 4.0 million tonnes of cleaned coking coal in 1984. During 1984, 2.5 million tonnes were sold to Japanese steel interests pursuant to a commitment entered into in 1969 and extending to 1987 inclusive. Under this commitment the quantities nominated for shipment and the price are negotiated annually. At December 31, 1984, approximately 15 million tonnes, or 33% remained to be delivered under this commitment. Fording is only one of a large number of suppliers to the Japanese steel industry. The remaining 1.5 million tonnes of sales were made to various foreign interests.

During the year, the company continued the development of significant quantities of metallurgical coal reserves in its Eagle and Brownie Ridge mining areas. The Brownie Ridge area was brought into operation in March 1984 with the remaining development work on Eagle estimated to be completed in 1985. The development of these mining areas will provide the Company with a long term supply of a variety of metallurgical grade coal for export.

Fording is an equal participant in a joint venture with the City of Edmonton, the intent of which is to construct and operate a thermal coal mine near Genesee, Alberta. The production from the mine, which is dedicated to fuelling the Genesee Power Plant, will be sold under the terms of a cost of service arrangement. The mine is currently scheduled to commence commercial production in 1988 at a total estimated cost of $126 million including capitalized interest, of which Fording's share is $63 million.

The company is actively pursuing opportunities to develop its thermal coal reserves and diversify into various contract mining areas; to date no significant commitments have been entered into in this regard. Fording currently receives only a royalty from the production of its thermal coal reserves.

Steep Rock Resources Inc., ("Steep Rock"), formerly Steep Rock Iron Mines Limited, which is 79.6% owned by Enterprises, has been a processor of calcium carbonate products since late 1980 from its Calcite Division at Perth, Ontario. The company terminated its iron ore operations at Atikokan, Ontario in 1979 when mineable reserves were exhausted.

In late 1980, Steep Rock acquired, at a cost of $10 million, its Calcite Division at Perth, Ontario. During 1982 this division embarked on an expansion program to double the fine grind production capacity. The program was completed in 1983 at a total cost of $7.3 million.

Total calcite sales increased by about 25% during 1984 with the fine and medium fine grind products contributing 33.4% to the improvement. The higher sales and shift in product mix resulted in an increase in sales dollars of approximately 32% over 1983.

Steep Rock continues to examine various opportunities in the industrial minerals field, particularly in Eastern Ontario, and its gold exploration program in northwestern Ontario is continuing.

The company maintains a presence in the iron ore industry through the ownership of major ore reserves in its Lake St. Joseph property in northwestern Ontario.

Forest Products

Enterprises was first engaged in the forest products sector through the operations in British Columbia of its wholly-owned subsidiary **Pacific Forest Products Limited** ("PFP"). Early in 1971, Enterprises acquired a controlling interest in **Great Lakes Forest Products Limited** ("Great Lakes") which operates newsprint and pulp mills in central Canada. On October 1, 1981, Enterprises acquired all of the common shares of Canadian International Paper Company, now **CIP Inc.** ("CIP") for $1.1 billion. CIP is a major forest products corporation operating principally in Quebec and New Brunswick.

CIP Inc. is an integrated forest products corporation headquartered in Montreal, Quebec, engaged in the production of newsprint, bleached and unbleached kraftboard, corrugating medium, shipping containers, multiwall bags and milk cartons, paper pulps, facial and bathroom tissues and household towels, and building materials.

Shipments of principal products and net sales for the periods shown below were as follows:

	1984	1983	1982
Shipments (thousand tonnes)			
Newsprint	1,136	922	830
Kraftboard and Packaging Material	383	351	289
Pulp	61	53	85
Tissue	62	60	50
Total	1,642	1,386	1,254
Net sales (millions)	$1,474	$1,213	$1,127

Approximately 40.0% of CIP's sales were made to the United States market and 17.5% to the overseas market. Prices on most export sales are quoted in U.S. dollars and as a result, revenues and net income are affected by fluctuations in the rate of exchange between Canadian and U.S. dollars.

CIP is one of the world's largest producers and marketers of newsprint, accounting in 1984 for approximately 4% of the free world market. CIP is one of only three suppliers that have a significant market share position in all regions of North America east of the Rockies in both standard and gravure grade newsprint and the company is an important factor in newsprint traded internationally in offshore markets. The three newsprint mills of CIP are located in eastern Canada. The mill at Gatineau, Quebec with a capacity of 480,000 tonnes per year is one of the largest newsprint producing units in the world and is dedicated to standard grade newsprint marketed in eastern North America. The mill at Dalhousie, New Brunswick, in which CIP has a 67% equity interest, has a capacity of 355,000 tonnes per year and produces standard as well as gravure and specialty grades of newsprint marketed offshore and in eastern North America. A major program to modernize and expand the annual capacity of this mill by 100,000 tonnes was completed in 1983 at a cost of approximately $164 million. The Trois-Rivières, Quebec mill has a capacity of 315,000 tonnes per year and is dedicated to gravure and specialty grades.

The kraftboard and packaging operations of CIP consist of mills and plants located principally in eastern Canada. The mill at La Tuque, Quebec has a capacity of 224,000 tonnes per year of linerboard and the Matane, Quebec mill has a capacity of 82,000 tonnes per year of corrugating medium. The La Tuque mill also produces bleached board with a capacity of 90,000 tonnes per year. There are container plants in St. John's, Newfoundland, Pointe-aux-Trembles and Vaudreuil, Quebec and Burlington, London, Markham and Rexdale, Ontario. CIP's bag plants in Pointe-aux-Trembles, Quebec, and Regina, Saskatchewan, manufacture multiwall shipping sacks. The Pointe-aux-Trembles plant also produces printed

rolls and sheets and uses coating and laminating extruders for a wide range of polyethylene coated products. Three plants located at St. Leonard, Quebec, Markham, Ontario, and Calgary, Alberta, convert CIP's polycoated milk carton stock into cartons for packaging liquids such as milk and juice. Its plants have a capacity of 31,000 tonnes per year.

Sulphate pulp is produced at the La Tuque mill which has an annual capacity of 148,000 tonnes, a substantial portion of which is used by other CIP mills in the production of newsprint and tissue.

Through Dominion Cellulose Limited and its wholly-owned subsidiary, Facelle Company Limited ("Facelle"), CIP is a major Canadian manufacturer of consumer tissue goods at its Toronto, Ontario plant which has a capacity of 90,000 tonnes per year. CIP is engaged in the manufacturing and Facelle in the marketing of facial tissue, bathroom tissue and household towels in both national and private label brands for the consumer market. Facelle holds established consumer franchises, a national distribution network and strong trade relationships.

CIP Daxion Inc., a wholly-owned subsidiary of CIP, sells paper, retail packaging materials, food service disposables and non-perishable food products through sales offices in 18 major Canadian cities from Victoria to Halifax. This company was sold on February 28, 1985.

Canexel Inc. ("Canexel"), formerly Masonite Canada Inc., a wholly-owned subsidiary of CIP, operates a manufacturing facility at Gatineau, Quebec, which produces mineral ceiling board. Canexel also operates a plant, located at East River, Nova Scotia, which manufactures industrial hardboard products and interior wall, ceiling and door panels. It distributes its products nationally through building materials distributors, dealers and franchised contractors and also exports some of its products to the United States, Europe, Australia, Latin America and Africa. On February 14, 1985, Canexel ceased operations of its Gatineau Hardboard plant. Successive years of low housing starts coupled with increased competition from substitute products have resulted in the consolidation of production at the East River plant.

In support of its manufacturing operations, CIP has timber harvesting licencing arrangements in the Provinces of Quebec and New Brunswick, plus, in the Province of Quebec, additional wood volume harvesting rights exercisable in the event of an insufficiency of wood chips. The area held under government licences is 37,777 square kilometres (14,586 square miles). CIP also owns in fee 5,507 square kilometres (2,126 square miles) of timberlands. These timberlands are well situated in relation to CIP's manufacturing facilities and the harvest from them, supplemented by the purchase of wood chips and round wood, is adequate to support CIP's operations on a continuing basis.

In January 1983, CIP acquired an option to purchase the remaining 50% interest held in Tahsis Company Ltd. ("Tahsis") from its joint venture partner for $2.3 million. Late in 1984, CIP exercised this option. Tahsis operates a bleached sulphate pulp mill at Gold River, on the west coast of Vancouver Island. The annual capacity of the pulp mill is 232,000 tonnes per year. Tahsis

also operates a hemlock sawmill and a cedar sawmill at Tahsis on the west coast of Vancouver Island and a lumber remanufacturing plant in Burnaby, British Columbia. The capacity of the hemlock sawmill is 170 million board feet, that of the cedar sawmill, 46 million board feet and that of the remanufacturing plant, 50 million board feet. Tahsis carries on logging operations on 783 square miles of licenced timberlands on Vancouver Island and has additional harvesting rights measured in wood volume. Pacific Forest Products Limited and Tahsis were amalgamated under the name CIP Forest Products Inc., effective January 1, 1985.

Labour Agreements. Labour contracts with most of CIP's woodlands and primary mills were negotiated in 1984 for a period of three years to 1987. Contracts with most converting plants must be renegotiated in 1985.

Financing. During the year CIP Inc. reduced its consolidated long term debt by $306 million largely with proceeds of $175 million received from Enterprises in the form of a non-interest bearing demand loan and with the proceeds of $92 million received by NBIP Limited on the sale to PanCanadian of investment tax credits and income tax losses. The sale was accomplished by means of a corporate restructuring. The consolidation of Tahsis in 1984 for the first time resulted in additional long term debt of $51 million being recorded on the balance sheet.

Great Lakes Forest Products Limited ("Great Lakes"). Enterprises owns 54.3% of the shares of Great Lakes. The head office of Great Lakes is in Thunder Bay, Ontario, and its principal manufacturing facilities consist of four newsprint machines, two kraft pulp mills, a stud lumber mill and a waferboard plant at Thunder Bay and a kraft pulp mill, a fine paper mill and a stud lumber mill at Dryden, Ontario.

The wood resources supplying these facilities encompass some 20,500 square miles on which Great Lakes has exclusive cutting rights under a combination of long term licences and forest management agreements with the Province of Ontario. These timberlands are well situated in relation to Great Lakes' manufacturing facilities and the harvest from them is adequate to support Great Lakes' operations on a continuing basis.

Shipments of principal products of Great Lakes and its net sales for the three years ended December 31, 1984 are shown in the following table. Shipments increased in 1983 and 1984 due to stronger market demand, the start-up of new facilities and improved operating rates. While depressed prices restricted the increase in net sales in 1983, improved net selling prices for newsprint, kraft pulp and fine papers were largely responsible for the increase in net sales in 1984.

	1984	1983	1982
Pulp and Paper			
Newsprint (thousand tonnes)	398	393	360
Kraft Pulp (thousand tonnes)	559	531	380
Fine Papers (thousand tonnes)	59	46	44
Total (thousand tonnes)	1,016	970	784
Building products			
Lumber (million board feet)	162	137	114
Waferboard (million square feet - 3/8")	107	73	15
Net Sales			
Pulp and Paper (millions)	$ 555	$453	$416
Building Products (millions)	47	42	22
Total Net Sales (millions)	$ 602	$495	$438

For the past three years, approximately 82% of Great Lakes' net sales were made to the United States market. For 1982, an additional 4% was sold to other export markets, and for 1983 and 1984, this percentage was approximately 5% due to increased shipments to the Far East. The remaining net sales, which are largely fine papers and building products, are to domestic markets.

Great Lakes' newsprint is sold to newspaper publishers in the northern and central United States. Kraft pulp is sold to converters in a wider area of the United States, with some tonnage being shipped offshore, principally for use in consumer products and for making fine paper. Kraft pulp and newsprint are generally sold under long term contracts with provisions for price changes. Fine papers are sold largely to customers in central and western Canada mainly for use as printing, writing and envelope papers. Great Lakes markets its lumber and waferboard through a separate exclusive sales agent.

In 1984, Great Lakes completed the modernization and expansion of its Dryden facilities which began in 1980. This $350 million program entailed replacing 80 percent of the kraft pulp mill, construction of a new stud lumber mill and the installation of a large fine paper machine as well as construction of the necessary environmental facilities to meet government standards. The new pulp mill commenced operations in January 1983, the new stud lumber mill went into operation late in the second quarter of 1983, and the new fine paper machine started up in April 1984.

On November 28, 1984 Great Lakes announced its intention to participate with five U.S. newspaper publishers in a joint venture to construct and operate a 154,000 metric-ton-per-year newsprint mill in northeastern Washington State. Estimated development and construction costs for the project would be in excess

of U.S. $210 million excluding financing costs and working capital. Great Lakes' 40 percent participation in the venture would involve an investment of approximately U.S. $25 million through a wholly-owned U.S. subsidiary which would build and operate the mill. The five newspaper publishers who would collectively represent the remaining 60 percent participation in the project would enter into firm contracts to purchase more than 80 percent of the total mill output. The project, which still requires the approval of environmental and other authorities and financing arrangements, could be completed by mid-1987.

Labour Agreements. In 1984 Great Lakes signed three-year labour agreements with all unions representing its employees extending to various expiry dates between April 30 and September 30, 1987.

Pacific Forest Products Limited ("PFP"), is a wholly-owned subsidiary of Enterprises engaged in developing timber resources and manufacturing wood products in British Columbia. It carries on logging operations itself and through independent contractors. PFP owns two modern lumber manufacturing complexes with a combined cutting capacity of 192 million board feet of lumber per year. Pacific Forest Products Limited and Tahsis were amalgamated under the name CIP Forest Products Inc., effective January 1, 1985.

The lumber market decline which started in 1980 continued to affect results through 1984. During 1984 sawmill operations returned to more normal levels, however, continuing poor panelboard markets resulted in the permanent shutdown of the company's plywood operations. PFP also has a majority interest in Mayo Forest Products Ltd. which owns a third mill specialized for the Japanese market with a rated capacity of 85 million board feet per year. The output from this mill, which commenced full operations in July 1980, exceeded its rated capacity in 1984.

PFP's log production, lumber sales volume and forest products sales for the three years ended December 31, 1984 were:

	1984	1983	1982
Log Production (million board feet)	280	331	215
Lumber Sales Volume (million board feet)	193	212	145
Forest Products Sales (millions)	$108	$122	$103

PFP owns 125,000 hectares of fee simple land on southern Vancouver Island and mainland British Columbia. The forest land component of 121,000 hectares is capable of sustaining an annual cut of at least 175 million board feet through the year 2000 with a substantial increase in yield thereafter. It also holds directly and indirectly annual cutting rights from the Province of British Columbia for approximately 110 million board feet. Crown timber licences and other non-renewable tenures are estimated at 300 million board feet. PFP also purchases logs from others. PFP's forestry program included the planting during 1984 of 1.4 million trees on 1,380 hectares.

Approximately 60% of PFP's log production is used in its own lumber manufacturing operations, about 30% is marketed in the highly competitive Vancouver log market and the remainder is exported to the United States and the Far East. Substantially all of PFP's lumber production is marketed on the eastern seaboard of the United States and in the Pacific Rim.

Commandant Properties, Limited, a wholly-owned subsidiary of Enterprises, owns approximately 100 square miles of fee simple land, mostly forest, at Montebello, Quebec, and is engaged in the cutting and selling of pulpwood and sawlogs.

Iron and Steel

Iron and Steel Production. Enterprises owns 61.2% of the common shares of **The Algoma Steel Corporation, Limited** ("Algoma"), a vertically integrated steel producer with production facilities located at Sault Ste. Marie, Ontario. Annual raw steel production capability is approximately 3.5 million tons and this tonnage can be processed into semi-finished steel products. Algoma produces and sells a variety of steel products including plate, sheet and strip, structurals, rails and fastenings and seamless tubular products, as well as coal, coke and coal tar chemicals.

The Canadian operations of Algoma are comprised of three divisions: the Ore Division, which mines and beneficiates iron ore at Wawa, Ontario; the Steelworks Division, which operates a steel plant and produces finished rolled steel at Sault Ste. Marie, Ontario; and the Tube Division, which produces seamless tubular products at Sault Ste. Marie, Ontario. United States activities, which support Algoma's iron and steel production, include participation in the Tilden iron ore joint venture in Michigan and the operation of coal mines in West Virginia through Cannelton Industries, Inc.

The following table summarizes Algoma's sales, production and shipments for the 1982-1984 period:

	1984	1983	1982
		(in millions)	
Sales	$1,104	$860	$ 874
		(thousands of tons)	
Raw Steel Production	2,528	2,306	1,899
Shipments-Steel Products	1,951	1,757	1,472
Shipments			
Plate and Sheet	64%	66%	63%
Structurals and Rails	21	24	24
Seamless Tubes and Skelp	15	8	11
Other	-	2	2
	100%	100%	100%

Higher volumes, an improved product mix, and more effective cost control were favourable factors in 1984. Order backlog decreased slightly from $162 million at December 31, 1983, to $157 million at December 31, 1984.

In 1984, Algoma was the third largest producer of raw steel in Canada, accounting for approximately 16% of domestic production. Shipments of steel products accounted for approximately 90% of its consolidated sales. These products were sold throughout Canada (primarily in Ontario) and in certain regions in the United States. Algoma competes not only with other Canadian and United States steelmakers, but also with European and Asian steel companies.

Manufacturing operations continued to operate at reduced levels during 1984. Principal objectives were to stop the cash drain, eliminate operating losses, find a way to finance the completion of the tube mill and implement customer service and quality initiatives that would enhance Algoma's image in the market place. By year-end, considerable progress had been made and the outlook was positive for a return to profitability. The markets for sheet and strip and tubular products were reasonably strong in 1984. A recovery for plate and wide flange shapes was less apparent but these products too are now seeing some upward movement.

Capital spending declined from $32 million in 1983 to $24 million in 1984. As in 1983, spending was restricted to projects which clearly provided cost savings and quality improvements.

Algoma has announced the resumption of construction of its seamless tube mill, which had been suspended in October 1982 because of poor market conditions. In February 1985, Algoma and Canadian Pacific Limited entered into a limited partnership arrangement in which Algoma is the general partner and CP Limited the sole limited partner. The partnership will complete construction of the new seamless tube mill. The funds to complete this mill, estimated at $150 million, will be supplied principally by CP Limited in exchange for tax benefits that will accrue to that company. Algoma, as the general partner, will manage the partnership. The new tube mill is scheduled for start up in the first quarter of 1987.

About 98% of Algoma's iron ore requirements (which were 3.4 million long tons in 1984) are obtained from properties which it owns or in which it has an equity interest. Algoma owns a mining and sintering operation at Wawa, Ontario, with annual capacity to produce 2.0 million long tons of sinter. Proven and probable recoverable reserves (with a grade of approximately 35% iron) were estimated at January 1, 1984 to be sufficient to produce 2.0 million long tons of superflux sinter (48% iron) annually for approximately 19 years. Through a subsidiary, Algoma holds a 30% interest in the Tilden Mine joint venture which mines and pelletizes iron ore at its property in northern Michigan. Operations commenced in late 1974 and the annual rated capacity of the mine increased from 4 to 8 million long tons of pellets, upon completion in late 1979 of an expansion program. Pellet production in 1984 was 5.3 million long tons and in 1983 was 4.3 million long tons. Proven and probable recoverable reserves from the Tilden Mine

consist of crude ore (with a grade of approximately 35% iron) sufficient to produce 8.0 million long tons of pellets (65% iron) annually for approximately 29 years.

Most of the metallurgical coal required for Algoma's operations is supplied by Algoma's own mines in West Virginia. Current annual capacity of these mines is approximately 1.1 million tons of high volatile metallurgical coal and 1.3 million tons of low volatile metallurgical coal which are blended in prescribed portions and charged in its ovens to produce coke of the quality used in its blast furnaces. In 1984, production of high volatile coal was approximately 0.9 million tons and of low volatile coal was approximately 1.2 million tons. Low volatile coal production exceeds Algoma's requirements and 5 million tons are being sold under a 12 year contract under which shipments commenced in 1976. In 1984, sale of metallurgical coal to third parties totalled 0.7 million tons and steam coal shipments totalled a record 1.1 million tons.

Metallurgical coal is recovered by both surface and underground mining. Proven and probable recoverable reserves of high and low volatile metallurgical coal were estimated at December 31, 1984 to be sufficient to permit the mining of coal at planned levels of operations for over 30 years.

The Manitoba Rolling Mills Division of **AMCA International Limited** ("AMCA") located in Selkirk produces a wide range of bars, small structural shapes, reinforcing steel and special sections in a variety of specifications. Annual capacity of the mill is 250,000 tons of finished product.

Manufacturing, Engineering and Construction Activities. Enterprises has a direct interest in AMCA of 16.2% and Algoma has a 34.5% interest. AMCA is an important customer of Algoma and is engaged principally in manufacturing, engineering and construction activities. It manufactures machine tools, industrial products, including aerospace and auto components, food processing machinery, single point marine terminals and metal forming machinery; is engaged in engineering and construction of turn-key refineries, petrochemical and industrial plants and pre-engineered building systems; manufactures material handling equipment including cranes and derricks, construction and marine equipment; designs, constructs and operates bulk material handling systems; produces steel and fabricates, distributes and erects steel products and structures; and manufactures generation and transmission equipment for fossil fuel, nuclear, hydroelectric and tidal power, and waste conversion resources.

AMCA's divisions and subsidiaries are located primarily in the United States and Canada and also have manufacturing and distribution facilities in Europe, Africa, the Far East and Australia. Currently they have approximately 16,000 employees in 80 operating plants in eight countries serving markets for their products and services in over 100 countries. AMCA competes in Canada, the United States and elsewhere with domestic and international companies.

AMCA's backlog orders amounted to $733 million at December 31, 1984, compared with $678 million at the end of 1983.

In July 1982, AMCA acquired Giddings & Lewis, Inc., a U.S. company engaged in the design, manufacture and sale of machine tools, machine tool accessories and industrial products. The aggregate acquisition cost for all of the shares was approximately U.S. $310 million.

Financing. During 1983, Algoma issued $95 million of convertible preference shares, the proceeds of which were used to reduce short term debt. Enterprises' interest in Algoma would be reduced to 50.3% from 61.2% assuming conversion of these preference shares.

During 1984, AMCA International completed an issue of four million cumulative redeemable convertible preferred shares for total proceeds of $100 million. Enterprises purchased concurrently, at the public offering price, a sufficient number of such shares to maintain its and Algoma's combined interest totalling approximately 50.7% on the assumption of eventual full conversion of the preferred shares. Proceeds were used to retire short term debt.

Real Estate

Marathon Realty Company Limited ("Marathon"), a wholly-owned subsidiary of Enterprises, is engaged in the management and development of real estate. In 1967, Marathon acquired certain real estate interests from Canadian Pacific Limited not required for railway purposes, some of which had development potential. Since that time Marathon has acquired and continues to acquire from others income-producing properties and lands suitable for near term development.

Marathon owns real estate developments in Canada and the United States, including shopping centres such as Place Laurier in Ste. Foy, Quebec and Dufferin Mall in Toronto and Orchard Park in Kelowna, British Columbia; office buildings such as University Place in Toronto, Palliser Square in Calgary, Place du Canada in Montreal and 595 Market Street in San Francisco; industrial and aviation-related buildings in and near major cities; and several industrial and business parks completed or under development such as Mayfair Industrial Park in Coquitlam, British Columbia, and International Commerce Center in Hayward, California.

The following table shows Marathon's completed properties as of December 31, 1984:

	Number of Buildings	Leasable Area (thousands of square feet)
Canada:		
Shopping Centres	26	6,756 (1)
Office Buildings	43	7,626 (2)
Industrial Buildings	94	4,408
Aviation-Related Facilities	18	1,829 (3)
Other Commercial Buildings	18	390
Residential Apartment Buildings (424 units)	2	330
United States:		
Office Buildings	7	1,525 (4)
Industrial Buildings	27	763

(1) Includes 258,000 square feet in which Marathon has a 75% interest, 34,000 square feet in which Marathon has a 55% interest and 237,000 square feet in which Marathon has a 50% interest.

(2) Includes 613,000 square feet in which Marathon has a 54% interest.

(3) Includes 1,319,000 square feet in which Marathon has a 76% interest and 510,000 square feet in which Marathon has a 38% interest.

(4) Includes 617,000 square feet in which Marathon has a 50% interest.

In addition, there is an office building under construction in Montreal with leasable area of 578,000 square feet, in which Marathon has a 33 1/3% interest.

The growth of Marathon's gross revenue from rental properties is shown in the following table:

	1984	1983 (in thousands)	1982
Building Rentals			
Shopping Centres	$ 69,153	$ 61,104	$ 53,015
Office Buildings	94,981	92,869	84,704
Industrial Buildings and Aviation-Related Facilities	29,014	27,126	27,057
Residential Buildings	2,079	2,253	2,346
Other Commercial Buildings	1,580	1,938	3,359
	196,807	185,290	170,481
Land Rentals			
Agricultural	5,409	5,211	4,602
Non-Agricultural	11,541	10,473	10,531
	16,950	15,684	15,133
Total rentals	$213,757	$200,974	$185,614

The provision of rental space in shopping centres, office buildings and industrial buildings is a highly competitive business and Marathon occupies a small share of the market.

Agriproducts

In July 1980, a U.S. subsidiary of Enterprises acquired all the common stock of Norin Corp. ("Norin"). The principal business acquired was **Maple Leaf Mills Limited** ("Maple Leaf"), a wholly-owned Canadian corporation, which in 1979 together with its subsidiaries accounted for approximately 93% of Norin's total revenues. The remainder of Norin's business was conducted in the United States and consisted mainly of the ownership of real estate and resort operations, and the sale of food products. Other subsidiaries of Enterprises acquired the real estate and food product businesses which have been subsequently sold.

Maple Leaf is engaged in the processing, distribution, and marketing of a variety of food and agricultural products, primarily in Canada. Maple Leaf's major classes of business, and revenues from each of them from 1982 through 1984 were as follows:

	1984	1983 (in millions)	1982
Agricultural Products	$603	$ 690	$598
Flour and Other Food Products	370	332	308
	$973	$1,022	$906

Agricultural Products. This class of business includes the production and marketing of animal and poultry feeds; processing and marketing of poultry products; trading and merchandising of grain in Canada and the U.S., and operation of grain elevators; rendering, which is recycling of animal waste by-products into fats and protein for edible oils, animal feeds and industrial products; the processing of oilseeds and the selling of vegetable oils and meals through Maple Leaf Monarch Company; and providing management assistance to associated companies overseas.

Flour and Other Food Products. This class of business includes milling and marketing a variety of wheat flours and the production and marketing of a variety of consumer grocery products, bakery goods and pet foods under several brand names. Maple Leaf sells, throughout Canada, a variety of wheat flours and produces special flours for food manufacturers. Maple Leaf, one of Canada's largest flour millers, has approximately 25% of total Canadian milling capacity. In 1984, Maple Leaf sold approximately 420,000 tonnes (370,000 tonnes in 1983) of flour in Canada, accounting for an estimated 25% of total Canadian flour sales. Flour export sales for 1984 were 101,200 tonnes (66,700 tonnes in 1983) of which about 47,400 tonnes (41,300 tonnes in 1983) were to one customer. Maple Leaf competes in Canada with two large national flour millers, a number of regional millers and local millers.

Maple Leaf, through its subsidiaries, Corporate Foods Limited and Eastern Bakeries Limited, manufactures and sells a substantial portion of the bakery products marketed in eastern Canada. Maple Leaf also has a 40% equity interest in McGavin Foods Limited, which currently supplies a significant portion of the retail baked bread and roll market in western Canada.

CanPac AgriProducts Limited was liquidated in 1984. As a result of this transaction, **Baker Commodities, Inc.** (Baker) and **Theresa Friedman and Sons, Inc.** (Theresa Friedman) became indirectly wholly-owned subsidiaries of Enterprises. Baker, a major U.S. rendering company with operations in California, New Mexico, Arizona, Oregon, Washington, Hawaii, Massachusetts, New York and in the Republic of Korea, was sold in 1985. Theresa Friedman is engaged in the processing and packaging of fruit preserves, jams and jellies.

Other Businesses

Canadian Pacific Hotels Limited, a wholly-owned subsidiary of Enterprises, was sold to Canadian Pacific Air Lines, Limited late in 1983 for $125 million.

Syracuse China Corporation, an indirectly wholly-owned subsidiary of Enterprises, operates plants in Syracuse, New York, and in Joliette, Quebec under the Syracuse China name, and in Beaver Falls, Pennsylvania under the name of Mayer China Company which it acquired in December 1984. It manufactures one of the largest selling brands of commercial chinaware in the United States and in Canada is a major manufacturer of commercial chinaware.

Processed Minerals Incorporated, an indirectly wholly-owned subsidiary of Enterprises, was incorporated in 1979 to acquire the Carey Salt and NYCO

divisions of Interpace Corporation. Carey Salt, based in Kansas, produces and markets salt and dehydrated products for a variety of uses. The NYCO division, located in New York State, mines, processes and markets wollastonite, a non-metallic mineral used in the manufacture of ceramics, plastics, coatings, refractories and fire resistant wallboard.

Financial

Chateau Insurance Company ("Chateau"), which is 99.98% owned by Enterprises, is federally licenced to transact most classes of insurance with the exception of life and annuities. Chateau concentrates on the underwriting of commercial and industrial accounts.

Canadian Pacific Securities Limited, a wholly-owned subsidiary of Enterprises, raises monies by way of bank loans, short term promissory notes and medium and long term debt in order to provide financing for various companies in the Enterprises group.

Canadian Pacific Enterprises Limited - Corporate Activities. In December, 1984 Canadian Pacific Enterprises (International) B.V. and Canadian Pacific Enterprises (Finance) N.V., subsidiaries located in the Netherlands and the Netherlands Antilles respectively, were dissolved. This entailed the retirement of loans between the Enterprises (U.S.) group of companies and Enterprises (Finance). Subsequently these funds, together with a substantial portion of the sale proceeds of Baker Commodities, were repatriated to Enterprises. Enterprises (U.S.) replaced the debt obligation with direct borrowings in the United States.

Environmental Expenditures

Capital expenditures of Enterprises and its subsidiaries required to comply with government environmental regulations principally in Canada totalled $17 million in 1984 and are estimated at $22 million for 1985 and $40 million for 1986. Actual and estimated expenditures for such periods by principal subsidiaries are set forth in the following table:

	Actual 1984	Estimated 1985 (in millions)	Estimated 1986
Cominco	$ 6	$ 8	$13
CIP Inc.	7	8	3
Great Lakes	1	-	3
Algoma	2	5	20
All Others	1	1	1
Total	$17	$22	$40

Item 2. Properties.

Information on properties has been included with the description of the various areas of operation of the Corporation's business in Item 1.

Item 3. Legal Proceedings.

Incorporated by reference to Note 22 of the Notes to Consolidated Financial Statements in the Registrant's Annual Report to shareholders (Page 38 of Exhibit 13A).

Item 4. Submission of Matters to a Vote of Security Holders.

None.

PART II

Item 5. Market for the Registrant's Common Stock and Related Security Holder Matters.

(a) Market Information
Information as to the Registrant's principal markets for its Ordinary Shares and the high and low sales prices is incorporated by reference to Ordinary Share Market Prices in the Registrant's Annual Report to shareholders (Page 55 of Exhibit 13A).

(b) Holders
The number of registered holders of the Corporation's Ordinary Shares as at December 31, 1984 was 46,025.

(c) Dividends
The Corporation declared dividends quarterly in 1983 and 1984 amounting to $1.40 per share in each year on the Ordinary Shares. The declaration of dividends is at the discretion of the Board of Directors after consideration of earnings, financial requirements and other considerations prevailing at the time.

Under the terms of the Canadian Income Tax Act and the United States-Canada tax convention, taxable dividends paid to United States resident shareholders of CP Limited (other than tax exempt organizations) are subject to a Canadian withholding tax of 15%.

Generally, capital gains on the disposition by non-residents of securities issued by CP Limited are exempt from Canadian tax unless the securities are held in the conduct of a Canadian business.

Item 6. Selected Financial Data.
Incorporated by reference to Five-Year Summary in the Registrant's Annual Report to shareholders (Page 54 of Exhibit 13A).

All dollar amounts recorded herein are expressed in Canadian dollars. The exchange rates between the Canadian dollar and the U.S. dollar are included in Part I (Page 2).

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Incorporated by reference to Financial Review and Review of Operations in the Registrant's Annual Report to shareholders (Pages 5 to 13 inclusive of Exhibit 13A). All amounts and data included in the attached reference material are based on generally accepted accounting principles (GAAP) in Canada.

The Corporation's net income under United States GAAP is incorporated by reference to the Registrant's Annual Report to shareholders (page 40 of Exhibit 13A).

Management's views on the effects of inflation and changes in prices are incorporated by reference to the Registrant's Annual Report to shareholders (pages 50 to 53 inclusive of Exhibit 13A).

Item 8. Financial Statements and Supplementary Data.

The following financial statements of the Registrant and its consolidated subsidiaries are incorporated by reference to the Registrant's Annual Report to shareholders (Pages 14 to 53 inclusive of Exhibit 13A):

Consolidated Balance Sheet
  December 31, 1984 and 1983
Statement of Consolidated Income
  Years ended December 31, 1984, 1983 and 1982
Statement of Consolidated Retained Income
  Years ended December 31, 1984, 1983 and 1982
Statement of Changes in Consolidated Financial Position
  Years ended December 31, 1984, 1983 and 1982
Notes to Consolidated Financial Statements
Supplementary Data

Item 9. Disagreements on Accounting and Financial Disclosure.

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

(a) Identification of Directors, Family Relationships and Business Experience.

Incorporated by reference to the Registrant's Proxy Statement (Pages 3 to 8 inclusive of Exhibit 13B).

(b) Identification of Executive Officers, Family Relationships and Business Experience.

Pages 40 to 43 inclusive.

(c) Identification of Certain Significant Employees.

There are no persons, who are not executive officers, to be reported under this caption.

(f) Involvement in Certain Legal Proceedings.

There have been no events which have occurred during the past five years which are material to an evaluation of the ability or integrity of any director, person nominated to become a director or executive officer of the Registrant.

Item 10. (Continued)

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age	All positions and offices with Registrant	Term of office as officer and period during which has served as such	Business experience during past five years
F.S. Burbidge	66	Chairman of the Corporation and Chief Executive Officer; Director; and Member, Executive Committee	Elected annually after each annual meeting	Was President of the Corporation prior to election as Chairman of the Corporation and Chief Executive Officer May 6, 1981
W.W. Stinson	51	President of the Corporation; Director; and Member, Executive Committee	Elected annually after each annual meeting	Was Executive Vice-President, CP Rail prior to appointment as President of the Corporation May 6, 1981
R.S. Allison	60	President CP Rail	No term applicable	Was successively Vice-President, Eastern Region, and Executive Vice-President CP Rail prior to appointment as President CP Rail June 11, 1984
J.C. Anderson	63	Vice-President Personnel	No term applicable	Was Vice-President Industrial Relations prior to appointment as Vice-President Personnel May 6, 1981
J.D. Bromley	62	Senior Regional Vice-President, Pacific, CP Rail	No term applicable	Was Vice-President, Pacific Region prior to appointment as Senior Regional Vice-President, Pacific, CP Rail June 11, 1984
J.P.T. Clough	50	Vice-President Finance and Accounting	No term applicable	Appointed Vice-President Finance and Accounting May 2, 1979

Item 10. (Continued)

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age	All positions and offices with Registrant	Term of office as officer and period during which has served as such	Business experience during past five years
D.C. Coleman	49	Vice-President, Eastern Region	No term applicable	Was Assistant Vice-President Marketing and Sales prior to appointment as Vice-President, Eastern Region May 6, 1981
R. Colosimo	55	Vice-President Industrial Relations, CP Rail	No term applicable	Was Assistant Vice-President Industrial Relations prior to appointment as Vice-President Industrial Relations, CP Rail May 6, 1981
J. Fox	61	Vice-President - Engineering, Special Projects, CP Rail	No term applicable	Was Chief Engineer prior to appointment as Vice-President - Engineering, Special Projects, CP Rail May 10, 1982
J.H. Geddis	63	Vice-President Transportation Development, CP Rail	No term applicable	Was Chief of Transportation prior to appointment as Vice-President Transportation Development, CP Rail August 8, 1983
R.C. Gilmore	58	Executive Vice-President CP Rail	No term applicable	Was Vice-President Marketing and Sales prior to appointment as Executive Vice-President CP Rail June 11, 1984
J.P. Kelsall	49	Vice-President Operation and Maintenance	No term applicable	Was successively Superintendent Schreiber; Superintendent, Sudbury; and General Manager, Operation and Maintenance, Eastern Region prior to appointment as Vice-President Operation and Maintenance October 1, 1982

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age	All positions and offices with Registrant	Term of office as officer and period during which has served as such	Business experience during past five years
D.S. Maxwell, Q.C.	59	Vice-President Law and General Counsel	No term applicable	Appointed Vice-President Law March 1, 1973
J.A. McDonald	65	Vice-President Industry Relations	No term applicable	Was Vice-President Corporate Development prior to appointment as Vice-President Industry Relations May 6, 1981
C.R. Pike	58	Vice-President, Prairie Region	No term applicable	Was Vice-President Operation and Maintenance prior to appointment as Vice-President, Prairie Region October 1, 1982
R.T. Riley	50	Vice-President Corporate	No term applicable	Was Vice-President Administration prior to appointment as Vice-President Corporate May 6, 1981
R.J. Ritchie	40	Vice-President Marketing and Sales, CP Rail	No term applicable	Was successively General Manager, Marketing and Sales, CP Rail, Pacific Region, and Assistant Vice-President Marketing and Sales prior to appointment as Vice-President Marketing and Sales, CP Rail June 11, 1984
I.B. Scott	55	Vice-President Administration and Public Affairs	No term applicable	Was General Manager, Public Relations and Advertising prior to appointment as Vice-President Administration and Public Affairs May 6, 1981

Item 10. (Continued)

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age	All positions and offices with Registrant	Term of office as officer and period during which has served as such	Business experience during past five years
G.F. Sekely	53	Vice-President Computers and Communications	No term applicable	Was Director of Information Systems prior to appointment as Vice-President Computers and Communications August 8, 1983
F. Wallace	51	Vice-President Purchases and Materials	No term applicable	Was Director, Cost Analysis, Research Department, prior to appointment as Vice-President Purchases and Materials April 9, 1984
D.J. Deegan	45	Secretary	No term applicable	Was Assistant Secretary prior to appointment as Secretary December 1, 1984
D.E. Sloan	62	Treasurer	No term applicable	Appointed Treasurer January 15, 1969
J. Thomson	47	Comptroller	No term applicable	Was Director of Taxation and Assistant Comptroller prior to appointment as Comptroller December 1, 1983

There were no family relationships between directors, executive officers or persons nominated or chosen to become directors or executive officers.

Item 11. Executive Compensation.

Cash Compensation, Bonuses and Deferred Compensation and Compensation Pursuant to Benefit Plans are incorporated by reference to the Registrant's Proxy Statement (Pages 9 to 11 inclusive of Exhibit 13B).

Stock Option and Stock Appreciation Right Plans

There were no stock appreciation rights or options to purchase securities from the Registrant or any of its subsidiaries granted to or exercised or realized by any director or executive officer of the Registrant during the last fiscal year.

Termination of Employment and Change of Control Arrangement

None.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

Security Ownership of Certain Beneficial Owners and Security Ownership of Management are incorporated by reference to the Registrant's Proxy Statement (Pages 2 and 3 of Exhibit 13B).

There are no known contractual arrangements which may result in a change in control of the Registrant at a subsequent date.

Item 13. Certain Relationships and Related Transactions.

Transactions with Management and Others, Certain Business Relationships and Indebtedness of Management are incorporated by reference to the Registrant's Proxy Statement (Page 13 of Exhibit 13B).

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) Document List

The financial statements, together with the Supplementary Data and the report of Price Waterhouse dated March 8, 1985, appearing on pages 14 to 53 of the accompanying 1984 Annual Report to shareholders are incorporated by reference in this Form 10-K Annual Report. With the exception of the aforementioned information and information expressly incorporated in Items 5, 6 and 7, the 1984 Annual Report to shareholders is not to be deemed filed as part of this report. The following financial statement schedules should be read in conjunction with the financial statements in such 1984 Annual Report to shareholders.

1. Financial statement schedules

Financial statement schedules not included in this Form 10-K Annual Report have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto contained in the Registrant's Annual Report to shareholders (Exhibit 13A).

2. Exhibits

(3) Articles of Incorporation and By-Laws.

The Registrant has filed the following documents pursuant to the Exchange Act.

Copy of Charter of the Registrant with amending statutes (Form 10) filed with transmittal letter dated May 15, 1935. Copy of Act of Parliament of Canada under which the Company was incorporated and of each Act amending and supplementing said Act was filed on June 20, 1967 as an exhibit to Registration Statement No. 2-26768. Copy of Act respecting Canadian Pacific Limited (formerly Canadian Pacific Railway Company) being Statutes of Canada 14-15 Elizabeth II, Chaps. 109 and 110 and Statutes of Canada 17-18 Elizabeth II, Chap. 62 was filed June 2, 1971 as an amendment No. 2 to Registrant's 1970 Annual Report Form 10-K.

Certificate of Continuance and Articles of Continuance, continuing the Corporation under the Canada Business Corporations Act, was filed on May 11, 1984 as an exhibit to the March 31, 1984 Form 10-Q.

By-law No. 1 which repeals all previous by-laws of the Corporation other than by-laws 47 and 49, was filed on May 11, 1984 as an exhibit to the March 31, 1984 Form 10-Q.

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K. (continued)

Exhibits (continued)

(3) Articles of Incorporation and By-Laws. (continued)

Supplementary Letters Patent-issued on May 16, 1984, under section 11.3 of the Railway Act with respect to the acquisition by the Corporation in partnership with Canadian National Railway Company of certain Canadian assets of Consolidated Rail Corporation.

(4) Instruments defining the rights of security holders, including debentures.

Specimen copies of securities registered pursuant to the Exchange Act:

Perpetual 4% Consolidated Debenture Stock (Form 10) filed with transmittal letter dated May 15, 1935.

Ordinary Stock (Form 10) filed with transmittal letter dated May 15, 1935. Under Certificate of Continuance filed on May 11, 1984, each $5 share of Ordinary Stock constitutes 1 Ordinary Share.

No further instruments with respect to long term debt of the Registrant and its consolidated subsidiaries are filed hereunder since the securities authorized under any such instruments do not exceed 10% of the total assets of the Registrant and its subsidiaries on a consolidated basis and the Registrant hereby agrees to furnish a copy of any such instruments to the Securities and Exchange Commission on request.

(10) Copy of employment agreement for Mr. D.S. Maxwell, Q.C. Vice-President Law and General Counsel filed as an exhibit to the 1980 Annual Report Form 10-K.

Copy of pension agreement for Mr. R.W. Campbell, director of the Corporation, filed March 30, 1983 as Exhibit 10 to the 1982 Annual Report Form 10-K.

(11) Statement re Computation of Per Share Earnings (Exhibit 11).

(13) 1984 Annual Report to shareholders (Exhibit 13A) and Proxy Statement (Exhibit 13B).

(22) Subsidiaries of the Registrant (Exhibit 22).

(28) Additional Exhibits - Accounting for Investment Tax Credits (Exhibit 28).

(b) Reports on Form 8-K.

A report on Form 8-K was filed on February 13, 1985 regarding the Corporation's intentions to increase the authorized number of Ordinary Shares, to subdivide its Ordinary and Preference Shares, and to redeem all the issued and outstanding 7¼% Cumulative Redeemable Preferred Shares, Series A.

Price Waterhouse
COMPTABLES AGRÉÉS
CHARTERED ACCOUNTANTS

1200, avenue McGill College
Montréal (Québec) H3B 2G4
(514) 879-9050 Télex: 05-268714

REPORT OF INDEPENDENT ACCOUNTANTS ON
FINANCIAL STATEMENT SCHEDULES

To the Directors of
Canadian Pacific Limited:

Our examinations of the consolidated financial statements referred to in our report dated March 8, 1985 appearing on page 18 of the 1984 Annual Report to Shareholders of Canadian Pacific Limited, (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an examination of the Financial Statement Schedules listed in Item 14(a)(1) of this Form 10-K. In our opinion, these Financial Statement Schedules present fairly the information set forth therein when read in conjunction with the related consolidated financial statements.

PRICE WATERHOUSE

MONTREAL, Quebec
March 8, 1985

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Canadian Pacific Limited

(Registrant)

by (Sgd.) J.P.T. CLOUGH

J.P.T. Clough
Vice-President
Finance and Accounting
March 26, 1985

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

(Sgd.) F.S. BURBIDGE F.S. Burbidge	Chairman and Chief Executive Officer and Director	March 26, 1985
(Sgd.) W.W. STINSON W.W. Stinson	President and Director	March 26, 1985
(Sgd.) J.P.T. CLOUGH J.P.T. Clough	Vice-President Finance and Accounting (Principal Financial and Accounting Officer)	March 26, 1985
(Sgd.) W. EARLE MCLAUGHLIN W. Earle McLaughlin	Director	March 26, 1985

SIGNATURES (Continued)

(Sgd.) PAUL DESMARAIS Paul Desmarais	Director	March 26, 1985
(Sgd.) ROBERT W. CAMPBELL Robert W. Campbell	Director	March 26, 1985
(Sgd.) DONALD C. MATTHEWS Donald C. Matthews	Director	March 26, 1985
(Sgd.) ALLARD JISKOOT Allard Jiskoot	Director	March 26, 1985
(Sgd.) C.A. FIELDING C.A. Fielding	Director	March 26, 1985
(Sgd.) LLOYD I. BARBER Lloyd I. Barber	Director	March 26, 1985
(Sgd.) RAY D. WOLFE Ray D. Wolfe	Director	March 26, 1985

SIGNATURES (Continued)

(Sgd.) STANLEY A. MILNER Stanley A. Milner	Director	March 26, 1985
(Sgd.) LUCIEN G. ROLLAND Lucien G. Rolland	Director	March 26,1985
(Sgd.) JOHN H. MOORE John H. Moore	Director	March 26, 1985
(Sgd.) CLAUDE PRATTE Claude Pratte	Director	March 26, 1985

Price Waterhouse
COMPTABLES AGRÉÉS
CHARTERED ACCOUNTANTS

1200, avenue McGill College
Montréal (Québec) H3B 2G4
(514) 879-9050 Télex: 05-268714

CONSENT OF INDEPENDENT ACCOUNTANTS

To the Directors of
Canadian Pacific Limited:

We hereby consent to the incorporation by reference in the Prospectus constituting part of the Registration Statement on Form S-3 (No. 2-80036) of Canadian Pacific Limited of our report dated March 8, 1985 appearing on page 18 of the 1984 Annual Report to Shareholders which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedules, which appears on page 47 of this Form 10-K.

PRICE WATERHOUSE

MONTREAL, Quebec
March 8, 1985

CANADIAN PACIFIC LIMITED - CONSOLIDATED
SCHEDULE V - PROPERTIES
(in thousands)

Description	Balance January 1, 1984	Additions at cost	Retirements	Other Changes Add/(Deduct)	Balance December 31, 1984
CP Rail	$ 4,051,672	$ 429,570	$ 62,931	$ 30,140	$ 4,448,451
CP Air	1,452,571	62,586	25,455	68,942 (a)	1,558,644
CP Ships	762,142	30,778	39,958	120,243 (b)	873,205
CP Trucks	181,118	38,168	14,170	-	205,116
Soo Line Corporation	726,690	38,310	11,234	181,249 (b)	935,015
CP Telecommunications	307,657	26,342	5,075	(384)	328,540
Miscellaneous	34,847	1,006	998	1,548	36,403
Canadian Pacific Enterprises Limited					
Oil and Gas	2,265,730	283,878	7,872	4,369	2,546,105
Mines and Minerals	2,413,289	152,506	16,207	1,047	2,550,635
Forest Products	2,276,038	91,736	8,731	120,896 (c)	2,479,939
Iron and Steel	2,087,303	60,909	47,703	27,020	2,127,529
Real Estate	1,234,237	105,889	69,812	30,834	1,301,148
Agriproducts	315,916	16,885	5,094	6,925	334,632
Other Businesses	70,964	4,253	1,461	10,219	83,975
Financial	1,775	281	109	21	1,968
	$18,181,949	$1,343,097	$316,810	$603,069	$19,811,305

(a) Includes $65,853,000 for Eastern Provincial Airways Limited consolidated effective September 1, 1984 (Note 3 of Exhibit 13A).

(b) Consists mainly of the exchange adjustment resulting from translation of properties of foreign subsidiaries at current rates in accordance with the new Canadian policy on foreign currency translation adopted by the Corporation in 1984.

(c) Includes $122,138,000 for Tahsis consolidated December, 1984 following purchase of 50% interest not already owned.

(d) The Corporation's depreciation policy is noted in the Summary of Significant Accounting Policies included in the Registrant's Annual Report to Shareholders (pages 14 to 17 inclusive of Exhibit 13A).

CANADIAN PACIFIC LIMITED - CONSOLIDATED
SCHEDULE V - PROPERTIES
(in thousands)

Description	Balance January 1, 1983	Additions at cost	Retirements	Other Changes Add/(Deduct)	Balance December 31, 1983
CP Rail	$ 3,754,002	$ 363,039	$ 70,195	$ 4,826	$ 4,051,672
CP Air	1,144,999	57,570	25,504	275,506(a)	1,452,571
CP Ships	758,956	43,390	18,535	(21,669)	762,142
CP Trucks	171,977	17,698	8,557	-	181,118
Soo Line Corporation	501,075	28,010	3,937	201,542(b)	726,690
CP Telecommunications	300,077	22,380	6,092	(8,708)	307,657
Miscellaneous	28,733	990	1,239	6,363	34,847
Canadian Pacific Enterprises Limited					
Oil and Gas	2,045,766	222,495	2,314	(217)	2,265,730
Mines and Minerals	2,327,356	122,893	13,682	(23,278)	2,413,289
Forest Products	2,174,290	95,873	10,562	16,437	2,276,038
Iron and Steel	2,066,823	62,564	42,712	628	2,087,303
Real Estate	1,191,711	93,377	50,652	(199)	1,234,237
Agriproducts	268,265	24,231	8,706	32,126	315,916
Other Businesses	309,595	18,575	1,705	(255,501)(a)	70,964
Financial	1,717	61	2	(1)	1,775
	$17,045,342	$1,173,146	$264,394	$227,855	$18,181,949

(a) Includes properties of CP Hotels sold by CP Enterprises to CP Air.
(b) Restatement of properties to reflect change from betterment accounting to depreciation accounting for track structures.

CANADIAN PACIFIC LIMITED - CONSOLIDATED
SCHEDULE V - PROPERTIES
(in thousands)

Description	Balance January 1, 1982	Additions at cost	Retirements	Other Changes Add/(Deduct)	Balance December 31, 1982
CP Rail	$ 3,515,271	$ 314,252	$ 75,419	$(102)	$ 3,754,002
CP Air	960,377	230,419	50,373	4,576	1,144,999
CP Ships	689,285	91,883	22,212	-	758,956
CP Trucks	145,623	15,415	8,645	19,584 (a)	171,977
Soo Line Corporation	485,883	14,334	6,196	7,054 (b)	501,075
CP Telecommunications	271,140	34,167	4,433	(797)	300,077
Miscellaneous	27,686	863	74	258	28,733
Canadian Pacific Enterprises Limited					
Oil and Gas	1,768,498	278,797	876	(653)	2,045,766
Mines and Minerals	2,093,333	283,291	39,050	(10,218)	2,327,356
Forest Products	1,883,922	271,491	4,793	23,670 (c)	2,174,290
Iron and Steel	1,727,815	222,276	29,554	146,286 (d)	2,066,823
Real Estate	1,067,191	161,659	37,847	708	1,191,711
Agriproducts	243,021	25,147	4,161	4,258	268,265
Other Businesses	288,634	22,106	1,640	495	309,595
Financial	1,516	610	427	18	1,717
	$15,169,195	$1,966,710	$285,700	$195,137	$17,045,342

(a) Includes $10,484,000 for Moffatt Bros. Limited consolidated September 1982 and also includes $8,931,000 for Intertank Inc. consolidated January 1982.
(b) Minneapolis, Northfield, and Southern Railway consolidated June 1982.
(c) Includes $23,205,000 for Mansonite Canada Ltd. consolidated June 1982.
(d) Includes $162,539,000 for Giddings & Lewis Inc. consolidated October 1982.

CANADIAN PACIFIC LIMITED - CONSOLIDATED

SCHEDULE VI - ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION

(in thousands)

Description	Balance January 1, 1984	Additions: Charged to Income	Additions: Other	Deductions: Retirements	Deductions: Other	Balance December 31, 1984
CP Rail	$1,629,715	$121,284	$ 34,351	$ 45,822	$ -	$1,739,528
CP Air	450,139	74,790	-	19,680	1,627	503,622
CP Ships	192,008	44,036	44,613(a)	13,240	-	267,417
CP Trucks	73,551	13,931	-	10,715	-	76,767
Soo Line Corporation	298,219	25,818	85,874(a)	11,386	-	398,525
CP Telecommunications	148,010	22,329	108	5,162	-	165,285
Miscellaneous	9,556	1,318	1,590	1,037	946	10,481
Canadian Pacific Enterprises Limited						
Oil and Gas	213,204	59,119	-	1,775	1,242	269,306
- Depletion	408,719	77,287	-	-	-	486,006
- Amortization	307	-	-	307	-	
Mines and Minerals	685,396	100,981	9,361	4,422	8,126	783,190
- Depletion	114,795	20,324	3,158	302	13,023	124,952
- Amortization	18,562	1,371	-	-	-	19,933
Forest Products	448,212	112,202	3,944	4,983	-	559,375
- Depletion	21,734	1,689	-	-	3,945	19,478
- Amortization	60,141	6,898	1	1,653	-	65,387
Iron and Steel	753,046	84,638	1,122	34,641	-	804,165
- Amortization	19,058	4,322	725	1,828	-	22,277
Real Estate	69,881	15,247	723	2,779	199	82,873
Agriproducts	118,322	19,520	3,237	3,031	-	138,048
Other Businesses	18,968	5,770	2,780	986	-	26,532
Financial	817	305	23	143	-	1,002
	$5,752,360	$813,179	$191,610	$163,892	$29,108	$6,564,149

(a) Consists mainly of the exchange adjustment resulting from translation of accumulated depreciation of foreign subsidiaries at current rates in accordance with the new Canadian policy on foreign currency translation adopted by the Corporation in 1984.

CANADIAN PACIFIC LIMITED - CONSOLIDATED

SCHEDULE VI - ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION

(in thousands)

Description	Balance January 1, 1983	Additions: Charged to Income	Additions: Other	Deductions: Retirements	Deductions: Other	Balance December 31, 1983
CP Rail	$1,569,155	$114,091	$ 8,062	$ 61,593	$ -	$1,629,715
CP Air	326,633	58,925	83,864(a)	19,283	-	450,139
CP Ships	181,061	38,360	-	5,744	21,669	192,008
CP Trucks	67,958	12,471	-	6,878	-	73,551
Soo Line Corporation	140,032	20,595	140,825(b)	3,233	-	298,219
CP Telecommunications	137,470	21,819	-	6,082	5,197	148,010
Miscellaneous	5,063	1,340	4,319	1,166	-	9,556
Canadian Pacific Enterprises Limited						
Oil and Gas	161,909	53,500	-	1,662	543	213,204
- Depletion	348,833	59,886	-	-	-	408,719
- Amortization	611	-	-	304	-	307
Mines and Minerals	609,549	86,469	1,965	10,530	2,057	685,396
- Depletion	107,588	20,010	4,240	-	17,043	114,795
- Amortization	17,418	1,144	-	-	-	18,562
Forest Products	338,871	101,781	19,916	8,290	4,066	448,212
- Depletion	19,740	1,992	2	-	-	21,734
- Amortization	54,674	5,467	-	-	-	60,141
Iron and Steel	688,098	81,794	13	16,859	-	753,046
- Amortization	18,081	3,432	190	2,629	16	19,058
Real Estate	58,883	13,798	-	2,601	199	69,881
Agriproducts	106,892	17,908	96	6,574	-	118,322
Other Businesses	85,427	15,588	-	283	81,764(a)	18,968
Financial	609	229	1	21	1	817
	$5,044,555	$730,599	$263,493	$153,732	$132,555	$5,752,360

(a) Includes accumulated depreciation on properties of CP Hotels sold by CP Enterprises to CP Air.

(b) Restatement of accumulated depreciation to reflect change from betterment accounting to depreciation accounting for track structures.

CANADIAN PACIFIC LIMITED - CONSOLIDATED

SCHEDULE VI - ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION

(in thousands)

Description	Balance January 1, 1982	Additions: Charged to Income	Additions: Other	Deductions: Retirements	Deductions: Other	Balance December 31, 1982
CP Rail	$1,518,132	$106,640	$ 523	$ 56,140	$ -	$1,569,155
CP Air	288,732	72,014	3,802	37,915	-	326,633
CP Ships	152,138	38,235	-	9,312	-	181,061
CP Trucks	56,593	10,975	7,088	6,698	-	67,958
Soo Line Corporation	131,685	10,885	-	2,538	-	140,032
CP Telecommunications	122,233	20,773	-	4,814	722	137,470
Miscellaneous	4,055	1,079	3	74	-	5,063
Canadian Pacific Enterprises Limited						
Oil and Gas	128,132	34,689	-	912	-	161,909
- Depletion	295,070	53,763	-	-	-	348,833
- Amortization	1,221	-	-	610	-	611
Mines and Minerals	541,175	76,824	1,021	9,471	-	609,549
- Depletion	98,225	19,331	465	10,433	-	107,588
- Amortization	15,895	1,523	-	-	-	17,418
Forest Products	254,534	86,646	-	2,229	80	338,871
- Depletion	18,753	1,008	-	12	9	19,740
- Amortization	49,332	5,380	-	38	-	54,674
Iron and Steel	628,807	79,223	-	17,665	2,267	688,098
- Amortization	17,181	3,723	74	2,897	-	18,081
Real Estate	48,138	11,692	-	748	199	58,883
Agriproducts	91,839	16,907	1,111	2,965	-	106,892
Other Businesses	72,061	14,063	468	1,038	127	85,427
Financial	719	241	8	359	-	609
	$4,534,650	$665,614	$14,563	$166,868	$ 3,404	$5,044,555

CANADIAN PACIFIC LIMITED - CONSOLIDATED

SCHEDULE IX - SHORT TERM BORROWINGS
(in thousands)

	Balance, December 31	Weighted Average Interest Rate	Maximum Amount Outstanding at any month end	Average Amount Outstanding During Year (a)	Weighted Average Interest Rate During Year (b)
1984					
Bank loans	$414,750	10.62%	$583,468	$444,105	11.44%
Notes payable	391,279	10.85%	407,513	305,956	11.03%
1983					
Bank loans	$307,646	10.63%	$457,647	$373,994	10.99%
Notes payable	325,926	9.52%	451,347	391,774	9.40%
1982					
Bank loans	$346,175	12.05%	$404,592	$341,641	15.56%
Notes payable	339,239	10.62%	611,221	467,217	14.94%

Note

(a) Average amount outstanding during the year is weighted by month.

(b) Average interest rate for the year is computed by dividing actual short term interest expense by the average short term debt outstanding.

CANADIAN PACIFIC LIMITED - CONSOLIDATED

SCHEDULE X - SUPPLEMENTARY INCOME STATEMENT INFORMATION
FOR THE YEAR ENDED DECEMBER 31
(in thousands)

	1984	1983	1982
1. Maintenance and repairs	$1,769,005	$1,625,785	$1,563,716
2. Depreciation and amortization of intangible assets, pre-operating costs and similar deferrals	(a)	(a)	(a)
3. Taxes, other than payroll and income taxes			
Property	$ 174,838	$ 172,600	$ 158,013
Other	141,558	125,242	105,389
Total	$ 316,396	$ 297,842	$ 263,402
4. Royalties	(a)	(a)	(a)
5. Advertising costs	(a)	(a)	(a)

Note

(a) These amounts do not exceed one percent of total revenues.

CANADIAN PACIFIC LIMITED

Statement re Computation of Per Share Earnings

	1984	1983	1982
	(in thousands, except per share amounts)		
Net income	$376,903	$143,592	$188,294
Deduct: Dividends on preferred and preference shares	1,353	1,492	1,644
Adjusted net income	$375,550	$142,100	$186,650
Ordinary shares outstanding	71,662	71,662	71,662
Earnings per Ordinary Share	$ 5.24	$ 1.98	$ 2.60

Exhibit 22

CANADIAN PACIFIC LIMITED

Subsidiaries of the Registrant
as at December 31, 1984

	Jurisdiction of Incorporation
CP Rail	
In addition to the rail operation of CP Limited, there are 20 leased railway companies in Canada and the U.S.A.	
CP Air	
Canadian Pacific Air Lines, Limited	Canada
Eastern Provincial Airways Limited	Newfoundland
11 other companies in Canada and other countries	
CP Ships	
Canadian Pacific Steamships, Limited	United Kingdom
3 other companies in the United Kingdom	
Canadian Pacific (Bermuda) Limited	Bermuda
6 other companies in Bermuda and other countries	
Centennial Shipping Limited	Bermuda
7 other companies in Canada, Bermuda and other countries	
Racine Terminal (Montreal) Limited	Canada
1 other company in Canada	
CP Trucks	
Canadian Pacific Express & Transport Ltd.	Canada
11 other companies in Canada and the U.S.A.	
CanPac International Freight Services Inc.	Canada
5 other companies in Canada and the U.S.A.	
Soo Line Corporation	U.S.A.
Soo Line Railroad Company	U.S.A.
4 other companies in the U.S.A.	
CP Telecommunications	
CNCP Telecommunications Operated in partnership with Canadian National Railway Company on a 50/50 basis	Canada
Miscellaneous	
Canadian Pacific Consulting Services Ltd.	Canada
3 other companies in Canada, Australia and Costa Rica	
CanPac Car Inc.	U.S.A.
Central Terminal Railway Company	U.S.A.
The Toronto, Hamilton and Buffalo Railway Company	Ontario
15 other companies in Canada, the U.S.A. and Bermuda, and 1 partnership in Canada	

Exhibit 22

CANADIAN PACIFIC LIMITED

Subsidiaries of the Registrant
as at December 31, 1984

	Jurisdiction of Incorporation
Canadian Pacific Enterprises Limited	Canada
Oil and Gas	
PanCanadian Petroleum Limited	Canada
7 other companies in Canada, the U.S.A. and other countries	
Mines and Minerals	
Cominco Ltd.	Canada
Cominco American Incorporated	Washington
Pine Point Mines Limited	Canada
Vestgron Mines Limited	Canada
Greenex A/S	Denmark
Western Canada Steel Limited	British Columbia
West Kootenay Power and Light Company, Limited	British Columbia
59 other companies in Canada, the U.S.A. and other countries	
Fording Coal Limited	Canada
1 other company in Canada	
Steep Rock Resources Inc.	Ontario
3 other companies in Canada	
Forest Products	
CIP Inc.	Quebec
30 other companies in Canada, the U.S.A. and other countries	
Great Lakes Forest Products Limited	Ontario
6 other companies in Canada, the U.S.A. and other countries	
Commandant Properties, Limited	Canada
Iron and Steel	
The Algoma Steel Corporation, Limited	Ontario
Cannelton Industries, Inc.	West Virginia
9 other companies in Canada and the U.S.A.	
AMCA International Limited	Canada
AMCA International Corporation	Delaware
76 other companies in Canada, the U.S.A. and other countries	
Real Estate	
Marathon Realty Company Limited	Canada
10 other companies in Canada, the U.S.A. and other countries	

Exhibit 22

CANADIAN PACIFIC LIMITED

Subsidiaries of the Registrant
as at December 31, 1984

	Jurisdiction of Incorporation
Canadian Pacific Enterprises Limited - cont'd.	
Agriproducts	
Maple Leaf Mills Limited	Ontario
14 other companies in Canada and other countries	
Theresa Friedman & Sons, Inc.	Maine
Other Businesses	
Syracuse China Corporation	Delaware
3 other companies in Canada and the U.S.A.	
Processed Minerals Incorporated	Delaware
2 other companies in the U.S.A.	
Financial	
Canadian Pacific Securities Limited	Canada
Chateau Insurance Company	Canada
Canadian Pacific Enterprises (U.S.) Inc.	Delaware

CANADIAN PACIFIC LIMITED

Additional Exhibits

Accounting for Investment Tax Credits

Canadian Pacific Limited and its subsidiaries account for investment tax credits principally by the "flow-through" method.

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Canadian Pacific Limited

1984 Annual Report

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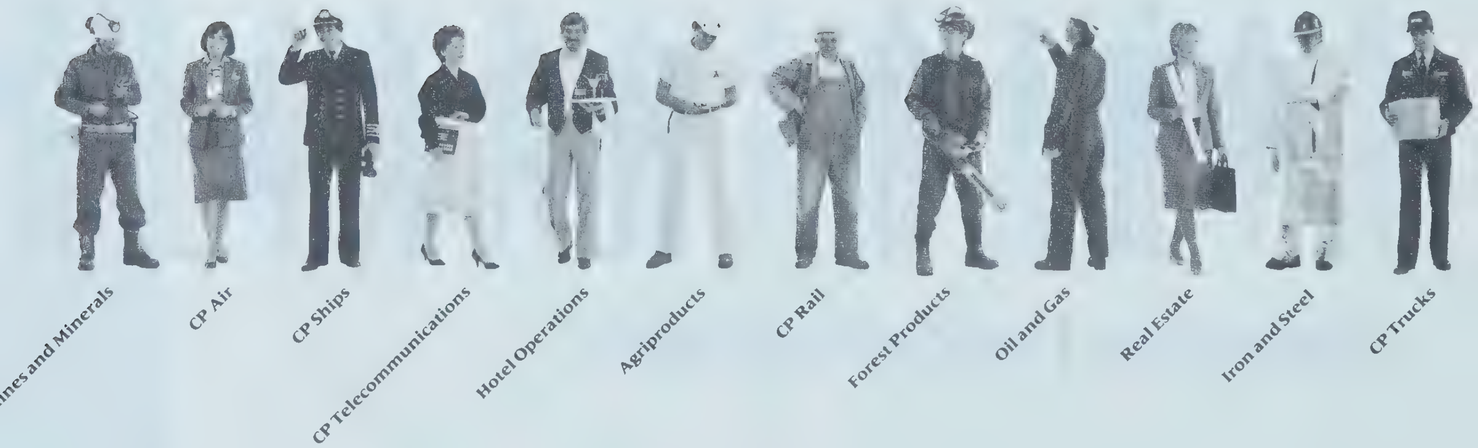
Canadian Pacific Limited

1984
Annual
Report

Contents

1985 Annual Meeting

The Annual Meeting of Shareholders is to be held on Wednesday, May 1st, 1985, at The Palliser Hotel, Calgary, Alberta, at eleven a.m., Calgary time.



Highlights

	(dollars in millions, except amounts per share)	1984	1983
Income Items	**Revenues**	$14,635.1	$12,759.3
	Net income from:		
	CP Rail	185.5	184.0
	CP Air	13.8	(16.4)
	CP Ships	(23.6)	(74.0)
	CP Trucks	3.1	5.9
	Soo Line Corporation	12.9	11.7
	CP Telecommunications	8.1	6.4
	Miscellaneous	(34.3)	(18.1)
	Canadian Pacific Enterprises Limited	211.4	44.1
	Net income	$ 376.9	$ 143.6
Per Ordinary Share	Net income	$ 5.24	$ 1.98
	Dividends	$ 1.40	$ 1.40
	Shareholders' equity	$ 62.76	$ 56.17
Rates of Return	Return on average capital employed	7.8%	4.8%
	Return on average shareholders' equity	8.8%	3.6%
Other information for the year ended December 31	Funds from operations	$ 1,522.1	$ 749.1
	Capital expenditures	$ 1,343.1	$ 1,173.1
	Average number of employees	120,000	121,000
Other information as at December 31	Working capital	$ 969.2	$ 787.5
	Current ratio	1.3	1.2
	Debt: equity proportion	43/57	46/54

Strengthening economic conditions, together with improved productivity and continued cost control, made 1984 a year of significant recovery for CP Limited. Consolidated net income rebounded to $376.9 million from $143.6 million in 1983. Earnings per Ordinary share amounted to $5.24, up from $1.98 in 1983.

Net income on a non-consolidated basis, comprising mainly income from CP Rail, CP Telecommunications and dividends from subsidiaries, amounted to $263.2 million, or $3.65 per Ordinary share. This compares with $268.1 million, or $3.72 per share, in 1983. Out of these earnings the Company declared dividends of $1.40 per Ordinary share in both 1984 and 1983.

Early in 1985 it was announced that CP Limited would seek shareholder approval at the forthcoming annual meeting to subdivide its Ordinary and Preference Shares on a three-for-one basis and to amend its articles to provide for an unlimited number of Ordinary Shares. In addition, it was announced that the Company intends to redeem all of its outstanding 7¼% Cumulative Redeemable Preferred Shares, Series A, on March 28, 1985.

During 1984 growth was especially strong in income from Canadian Pacific Enterprises Limited. In the transportation sector, there was a substantial reduction in the loss from CP Ships, and CP Air made a profit compared with a loss in 1983.

Net income from CP Rail, amounting to $185.5 million, was up $1.5 million over 1983 when results included approximately $53 million, after tax, of Western branch line and interim grain payments from the Federal Government relating to years prior to 1983. Excluding this factor, the improvement in CP Rail's income was attributable largely to record levels of traffic, increased rates and cost control.

Following three years of losses, CP Air returned to profitability in 1984 with net income of $13.8 million. The turnaround from the loss of $16.4 million in 1983 was chiefly the result of higher traffic levels and cost reduction programs. Results in 1984 also included a net profit of $10.9 million from CP Hotels, which was acquired from Enterprises late in 1983, and a net loss of $2.7 million from Eastern Provincial Airways, which was purchased in 1984.

Both the Container and Bulk Shipping operations of CP Ships had better results during the year. Container Operations earned a profit of $2.1 million, which contrasted with a loss of $33.4 million in 1983, when there were write-offs of approximately $11 million relating to the Company's withdrawal from the U.S. east coast service and re-organization of its St. Lawrence trade. In addition to the economies resulting from this major restructuring, Container Operations benefited from a significant trade recovery. The loss from Bulk Shipping of $25.7 million was $14.9 million less than in 1983. About half of this reduction was due to lower losses on sale of vessels, and the remainder reflected a little improvement in shipping markets and control of operating expenses.

Income from CP Trucks was down $2.8 million from 1983 because of CP Express & Transport, which suffered from depressed rate levels due to competitive conditions in the general freight industry.

CP Limited's share of Soo Line's earnings, representing a 55.7% interest, was up $1.2 million over 1983 due chiefly to an increase in freight traffic.

Increased volume and improved rates accounted principally for an increase of $1.7 million in income from CP Telecommunications.

The loss from Miscellaneous increased $16.2 million during 1984. Most of this deterioration was attributable to an offshore insurance subsidiary which incurred higher losses. Results were also affected by adverse foreign exchange fluctuations and higher interest charges.

Net income from Enterprises, 69.9% owned by CP Limited, amounted to $211.4 million, up $167.3 million over 1983. The sectors mainly responsible for this improvement were Oil and Gas, Mines and Minerals, Forest Products and Iron and Steel.

Enterprises' income from Oil and Gas increased $51.3 million. This reflected PanCanadian Petroleum's higher production of crude oil and natural gas, and the effects of improved oil prices.

The Mines and Minerals sector posted net income of $16.6 million, compared with a loss of $25.5 million in 1983. The turnaround was attributable mainly to Cominco, owing to higher average selling

prices for zinc, lead, and chemicals and fertilizers, and increased sales volumes of zinc, gold, copper, and chemicals and fertilizers.

There was a reduction of $89.0 million in Enterprises' loss from Forest Products due principally to CIP Inc. Higher volumes and improved prices, especially for newsprint, led to a sharply reduced loss by CIP. There were also tax-related benefits arising from re-organizations in the Forest Products sector. Great Lakes Forest Products made a profit, whereas a loss was incurred in 1983. Great Lakes' shipments increased and selling prices moved up.

The loss from Iron and Steel was $54.4 million less than in 1983. Most of this was due to the impact on Algoma Steel of increased shipments, a more favourable product mix and cost reduction programs. A reduced loss from AMCA International stemmed from better market conditions, a refund of a surplus in its Canadian pension fund and reduced write-offs relating to the discontinuance of certain unprofitable operations.

Despite improved market conditions, the results attained by the Company in 1984 would not have been as good as they were without the benefit of programs introduced during the recent recession to control costs and raise productivity levels. Because of its severity and duration, the recession resulted in more intense competition which limited opportunities for price and rate increases and led to cost pressures in most sectors.

With the onset of the recession, the Company's businesses initially curtailed both operating costs and capital spending in line with the depressed levels of business activity. Subsequently, many operations were streamlined through re-organizations and rationalizations involving the discontinuance of certain unprofitable businesses and the amalgamation and restructuring of others.

CP Rail made significant progress over the past few years in the areas of staffing levels, fuel efficiency programs, and the rationalization of operations and facilities. Capital spending has been directed not only to the replacement and upgrading of facilities, but also to strategic expansion, all with the underlying aim to maintain a modern, efficient operation. CP Rail's productive capacity will be expanded further when the Rogers Pass project in the Canadian Rockies is completed in 1988.

CP Air's efforts have been particularly successful. Over the last three years, CP Air rationalized and modernized its fleet by disposing of older aircraft and replacing them with new fuel-efficient ones. Operating a younger fleet consisting of only three types of aircraft has resulted in significant maintenance, labour and material cost savings. The airline also restructured its domestic route network, using a hub-and-spoke system, discontinued uneconomic services and introduced stringent cost control measures including productivity improvements and salary and benefit concessions from certain employee groups. In 1983 CP Air acquired CP Hotels and in 1984 purchased Eastern Provincial Airways. These acquisitions strengthen CP Air's financial base and will provide much greater efficiencies in the areas of marketing, promotion and geographic coverage.

Bulk Shipping Operations disposed of some older, less efficient vessels, continued a program to achieve better utilization of its manpower pool and carefully controlled fuel and maintenance expenses.

The major re-organization of the Company's Container Operations at the beginning of 1984 has produced a much slimmer and more competitive service.

CP Express & Transport's system-wide re-organization program, begun in 1983, is now almost complete. The company's markets were expanded with the acquisition of regional trucking businesses in the Atlantic Provinces during 1983, and in Ontario and Saskatchewan in 1984.

Soo Line Corporation has improved its productivity in recent years through major renovation of facilities, new equipment and greater automation. In February 1985 Soo Line acquired the properties of the Milwaukee Road in the midwestern United States. Certain parties have appealed the decision of a U.S. reorganization court which accepted Soo Line's bid over a higher competing bid.

Achievements among the subsidiaries of Enterprises included cost restraint programs, reorganizations and rationalizations, and the continued modernization and expansion of facilities. Restraint measures consisted of inventory reductions and periodic plant closures, particularly in the Mines and Minerals, Forest Products and Iron and Steel sectors. CIP, Algoma Steel and AMCA International all discontinued certain technologically obsolete or unprofitable operations. West coast forest product businesses were amalgamated at the beginning of 1985. In February 1985 CIP Inc. sold its wholly-owned subsidiary, CIP Daxion Inc., a distributor of paper and packaging products.

Development and modernization programs were carried out in several areas. PanCanadian pursued a vigorous oil exploration and development program primarily in Western Canada. In February 1985 PanCanadian purchased certain oil and gas interests in the United States. Cominco continued to assess the feasibility of developing a large zinc-lead-silver property in Alaska. Fording Coal began mining newly developed reserves of coal in British Columbia. A major modernization project was completed at Great Lakes' facilities in 1984 when a new fine paper machine began production. Great Lakes has also announced its intention to participate in a joint venture to build and operate a newsprint mill in the northwestern United States. On February 28, 1985 Algoma Steel and CP Limited entered into a limited partnership arrangement whereby, in exchange for what is expected to take the form principally of tax benefits, CP Limited will provide funds to the partnership for the completion and upgrading of the Algoma seamless tube mills. Marathon Realty maintained an active construction program and also acquired a shopping centre in 1984.

During 1984, Enterprises issued five million convertible preferred shares, by way of private placement, for $100 million. Late in the year AMCA International issued four million convertible preferred shares to the public for $100 million. Enterprises purchased concurrently, at the public offering price, approximately four million preferred shares which, assuming full conversion, would enable Enterprises to retain its approximate 50.7% direct and indirect controlling interest in AMCA.

With the North American economy advancing further in 1985, but at a more moderate pace, added competitive pressure is expected to be felt throughout the CP group. The Company will continue to focus its attention on improving productivity as a means of raising profitability and expects to build on the progress achieved in the past few years.

The Directors are pleased to acknowledge the invaluable contribution made by officers and employees throughout the year.

For the Directors,

W.W. Stinson

President

F.S. Burbidge

Chairman and
Chief Executive Officer

Montreal, March 11, 1985

The Company's consolidated assets amounted to $18.8 billion at December 31, 1984, an increase of $2.5 billion over the last three years. The net investment in properties increased $2.6 billion. Long term debt was up $956 million and working capital was reduced by $424 million. Shareholders' equity increased $594 million and minority shareholders' interest in subsidiary companies rose $520 million.

A review of the last three years indicates that 1984 was one of solid improvement in the Company's financial position. Profitability, as measured by the return on average shareholders' equity, increased to 8.8% from 3.6% in 1983 and 4.8% in 1982. The rate of return on average capital employed showed a similar pattern. The Company's liquidity improved, as indicated by the ratio of cash flow to total debt which was 23.2% in 1984, compared with 11.6% and 15.5% in 1983 and 1982, respectively. Efforts throughout the Company's businesses to control expenditures and limit borrowings resulted in a stronger balance sheet. At year-end 1984 the debt:equity proportion was 43/57, compared with 46/54 at year-end 1983 and 47/53 at the end of 1982. Interest coverage was also improved in 1984, at 2.6 times, up from 1.5 times in 1983 and 1.7 times in 1982. The number of Ordinary shares outstanding remained the same over the past three years; equity per Ordinary share of $62.76 at year-end 1984 was up from $56.17 at year-end 1983 and $55.29 at the end of 1982.

During 1984 the Company's funds from operations totalled $1,522 million, the issuance of new debt amounted to $604 million, and the issuance of shares by subsidiary companies amounted to $229 million. Funds were applied principally to finance additions to properties of $1,343 million and to reduce long term debt by $715 million. There was an increase in working capital of $182 million.

Of the new debt issued in 1984, $99 million came from an issue by CP Limited of U.S. $75 million six-year Eurobonds, which are extendable on new terms until 1999; $160 million represented Yen-based financing for CP Air's investment and other needs; and $288 million was attributable to the subsidiaries of Enterprises, mainly CIP, Great Lakes Forest Products, AMCA International and Marathon Realty.

Included in the amount for new shares issued by subsidiaries during 1984 was $100 million, which came from a private placement of five million convertible preferred shares by Enterprises. Proceeds from this issue, together with funds repatriated due to the dissolution by Enterprises of two foreign subsidiaries, were used to reduce CIP's term debt. AMCA International issued approximately four million convertible preferred shares to the public for $100 million. Enterprises purchased concurrently, at the public offering price, approximately four million such shares which, assuming full conversion, would enable Enterprises to retain its approximate 50.7% direct and indirect controlling interest in AMCA. The total proceeds to AMCA were used to reduce short term debt. Cominco sold privately about one million common shares for $20 million, and early in 1985 arranged a similar transaction to raise approximately $15 million.

Recently, there were re-organizations in Enterprises' Forest Products sector. By means of a corporate restructuring late in 1984 NBIP Limited, 67%-owned by CIP Inc., sold investment tax credits and tax losses to PanCanadian for $92 million. NBIP used the proceeds to reduce term debt. The sale of tax losses also enabled NBIP to recognize the tax effects of its losses in 1984. The total benefit to Enterprises' earnings from these transactions amounted to $20.3 million in 1984, of which $18.5 million was reflected in CIP's results and the balance was taken up by PanCanadian. An additional gain of $15.5 million in respect of the tax losses will be realized in 1985.

Effective January 1, 1985, Tahsis Company Ltd., a wholly-owned subsidiary of CIP Inc., and Pacific Forest Products were amalgamated to become CIP Forest Products Inc.

The Company's unused commitments for long term financing at the end of 1984 amounted to $1,469 million, at interest rates varying with bank prime or money market rates, with commitment fees on $1,262 million ranging from ⅛% to ½%. Unused lines of credit for short term financing, subject to periodic review, amounted to $1,482 million.

Total commitments for capital expenditures at year-end 1984 amounted to $728 million. The commitments include expenditures related to the acquisition of up to ten new Boeing 737-300 aircraft over the next four years. Approximately half the cost of the first five aircraft, to be delivered in 1985 and 1986, has been arranged through long term financing, with the remainder being provided by internally generated funds. Financing for the remaining five on order will be arranged in due course.

Among the subsidiaries of Enterprises, commitments are mainly for Cominco, Algoma Steel and Marathon Realty. Expenditures are to be met from internally generated funds or lines of credit available to the subsidiaries.

Non-consolidated (parent company) assets of CP Limited totalled $4.9 billion at December 31, 1984, up $730 million during the last three years. Over this period, net investment in properties rose $674 million, investments in subsidiary companies increased $463 million, while working capital decreased $206 million. Shareholders' equity grew $504 million. Equity per Ordinary share increased from $30.42 at the end of 1982 to $35.94 at December 31, 1984. The debt:equity proportions were 35/65 at the end of 1982 and 25/75 at December 31, 1984. Interest coverage was 4.3 times in 1982, 6.2 times in 1983 and 6.1 times in 1984.

During 1984, the parent company's funds from operations totalled $473 million, and issuance of long term debt amounted to $113 million, represented principally by Eurobond financing. Additions to properties in 1984 amounted to $430 million and long term debt was reduced by $70 million. Working capital increased $22 million.

CP Rail

Net income from CP Rail amounted to $185.5 million in 1984, compared with $184.0 million in 1983 and $117.9 million in 1982. CP Rail's results in 1983 included approximately $53 million, after tax, of Western branch line and interim grain payments from the Federal Government relating to years prior to 1983.

Total revenues of $2,559.1 million were up from $2,429.7 million in 1983 and $2,147.1 million in 1982. The increase in 1984 was attributable to higher freight revenue, reflecting an 8% growth in traffic volume and increased rates. Revenues from coal traffic were up substantially over 1983. Other major revenue gains came from transporting containers and potash. Most of the revenue increase in 1983 over 1982 was due to interim grain payments.

Expenses totalled $2,373.6 million in 1984, $2,245.7 million in 1983 and $2,029.2 million in 1982. The rise in expenses over the period was caused mainly by higher costs, especially of labour, fuel and other materials. The rate of increase however was mitigated by the effects of improved productivity and cost control. An additional factor leading to the expense increase in 1983 over 1982 was increased road maintenance activity, due partially to required track repairs following severe washouts in British Columbia.

Negotiations are currently under way with the major railway unions to replace contracts which expired on December 31, 1984. The contracts, signed in 1982, were to have expired at the end of 1983 but were extended another year under the "6 and 5" Federal Government program limiting wage increases.

In 1985 CP Rail plans a record capital program involving expenditures of approximately $600 million. Included in the program is the large Rogers Pass project in British Columbia's Selkirk Mountains designed to expand main-line capacity in the West. This project, which is scheduled for completion in 1988, covers the construction of tunnels, bridges and second tracks. CP Rail's 1985 capital program is also directed towards the general upgrading and replacing of track, roadbed and bridges, the acquisition of equipment, and the construction of repair facilities and intermodal terminals.

These capital projects, together with continued control of operating costs, will contribute to increased productivity, thereby enhancing CP Rail's competitive abilities. An important issue in the future is the Federal Government's review, to be undertaken during the 1985/86 crop year, of the effects of the Western Grain Transportation Act on the shipping and handling of grain.

CP Air

The corporation earned a profit of $13.8 million in 1984, after payment of preference dividends. This was a significant turnaround from losses of $16.4 million in 1983 and $39.2 million in 1982.

The improved performance in 1984 was due not only to airline operations, but also to the inclusion of a net profit of $10.9 million from CP Hotels, which was acquired from Enterprises on December 1, 1983.

Results in 1984 also included a net loss of $2.7 million from Eastern Provincial Airways for the four-month period subsequent to its purchase effective September 1, 1984.

Airline Operations
CP

Income from the CP operation amounted to $5.6 million, a sharp contrast with losses of $15.0 million in 1983 and $39.2 million in 1982. Operating income reached $53.0 million in 1984, the highest in the airline's history due in part to considerable progress in reducing costs and improving efficiency in virtually every area of operation.

Revenues of the airline totalled $949.1 million in 1984, $888.3 million in 1983 and $893.1 million in 1982. Included in revenues were gains on sale of aircraft and related equipment amounting to $10.1 million in 1984, $19.2 million in 1983 and $25.8 million in 1982. Despite lower gains on aircraft sales, revenues in 1984 were up over 1983, due principally to a 13% increase in passenger revenue, most of which came from traffic growth. Revenue from charter services dropped because of the discontinuance of European charter programs and the redeployment of aircraft to scheduled services. Cargo revenue improved significantly as a result of increased traffic and yields. The reduction in 1983 revenues from 1982 was caused largely by lower gains on sale of aircraft. Operating revenues were basically the same as in 1982.

Total expenses amounted to $940.0 million in 1984, $900.0 million in 1983 and $927.8 million in 1982. The increase in 1984 over 1983 was largely the result of income taxes, increased exchange losses on debt and higher interest expense. Despite inflationary pressures and an increase in capacity,

operating expenses were held close to 1983 levels through the continuation of cost reduction programs. The expense reduction in 1983 compared with 1982 reflected not only cost curtailment, but also lower interest expense, as a result of the restructuring of CP Air's capitalization at the beginning of 1983, and reduced depreciation charges, due to a revision of the estimated useful lives and residual values of aircraft in order to conform more closely with industry norms.

As part of its efforts to stimulate traffic and increase revenues CP Air undertook several marketing programs during 1984 which were directed at two key groups: frequent flyers, the majority of whom are business travellers, and price-sensitive discretionary travellers. Examples of new services for the frequent flyer include the airline's Travel Bonus program and a premium service known as Attaché Business Class. For price-sensitive travellers, several aggressive seat sale campaigns were instituted to stimulate traffic in normally slow travel periods.

In 1984, CP Air expanded further its hub-and-spoke system centred in Vancouver and Toronto. The airline continued to work closely with regional and other carriers in Canada, as well as U.S. carriers, to develop interline traffic through the two hubs connecting cities not served by CP Air. The acquisition of Eastern Provincial Airways now establishes Halifax as the third major hub providing traffic to CP Air's routes. CP Air has also announced plans to re-introduce direct service between Canada and New Zealand.

During 1984 CP Air sold its last remaining Boeing 727, which previously had been taken out of service and leased to another carrier. At year end, the fleet comprised nineteen Boeing 737-200's, eight DC-10's and four Boeing 747's. In 1985 CP Air will take delivery of the first three of up to ten new generation Boeing 737-300's to be acquired over the period ending in 1988.

Deregulation of the Canadian domestic airline industry is the most significant challenge for CP Air in the coming years. By providing airlines with greater freedom to determine prices and seek new routes and by reducing barriers to new entrants, this process, which began in 1984, will significantly affect competitive forces. CP Air will continue the major initiatives taken over the past two years, including the reduction of costs and the restructuring of the domestic route system, in order to remain a strong competitive operation in a deregulated environment.

Eastern Provincial Airways

The acquisition of Eastern Provincial solidifies the co-operative agreement which began with aircraft interchanges and schedule integration in 1983. Eastern Provincial provides regional service to sixteen airports in Atlantic Canada and also serves Montreal and Toronto. Its fleet consists of six Boeing 737's and six Hawker Siddeley 748 turbo-prop aircraft. The latter aircraft serve the smaller centres in the Atlantic Provinces.

In the four-month period following its acquisition in 1984, Eastern Provincial incurred a net loss of $2.7 million. Despite this result, the airline has a low cost structure and a good potential for future profitability. In addition, the purchase is already enabling both CP Air and Eastern Provincial to operate more efficiently in such areas as sales, reservations, airport handling and technical operations.

Hotel Operations

CP Hotels' net income amounted to $10.9 million in 1984. This compares with $7.3 million in 1983, which comprised income for eleven months of $8.7 million included in Enterprises' results, and a loss of $1.4 million for December which was taken up by CP Air. In 1982, CP Hotels had net income of $8.4 million.

Total revenues of $265.8 million in 1984 were up from $244.1 million in 1983 and $240.5 million in 1982. Total expenses were $254.9 million in 1984, $236.8 million in 1983 and $232.1 million in 1982.

The improved results in 1984 came primarily from increases in both occupancy levels and room rates. CP Hotels' income declined in 1983 from 1982 because of lower business activity, mainly at city centre hotels.

During 1984 CP Hotels ceased management of hotels in Philadelphia and in Curaçao, Netherlands Antilles. CP Hotels also sold its interest in, and ceased management of, a flight kitchen in Mexico City. Complementing existing operations in Hamburg and Frankfurt, West Germany, CP Hotels will operate, under a lease agreement, the Bremen Plaza which is scheduled to open in March 1985.

CP Ships

Bulk Shipping Operations

Bulk Shipping's loss amounted to $25.7 million in 1984, compared with losses of $40.6 million in 1983 and $17.9 million in 1982. Over the three-year period five vessels were sold, resulting in net losses of $3.9 million in 1984 and $10.8 million in 1983, and a net gain of $1.7 million in 1982.

Total revenues were $101.0 million in 1984, up from $94.0 million in 1983, but down from $108.3 million, excluding the gain on vessel sale, in 1982. The additional revenues in 1984 came from a slight improvement in shipping markets over the depressed levels of 1983. Also, net financing expenses in 1983 were more than in 1982.

Expenses, excluding losses on vessel sales, totalled $122.8 million in 1984, $123.8 million in 1983 and $127.9 million in 1982. The reduction in expenses over the three-year period reflects a close scrutiny of operating costs and the lower value of the pound sterling in relation to the Canadian dollar.

Early in 1984, CP (Bermuda) took delivery of the last new Panamax bulk carrier on order. This fuel-efficient vessel was fixed immediately on time charter at favourable rates. Later in the year three older bulk carriers were sold, bringing the total number of bulk carriers and tankers to thirty-four at the end of 1984. In February 1985 the fleet was reduced further by the sale of two tankers.

Little improvement in shipping markets is expected in 1985. Almost one-third of the world's bulk shipping fleet is surplus to requirements with about 10% of the fleet in lay-up. Although the Company's Bulk Shipping Operations remain dependent to a great extent on the freight market, positive steps have been taken to overcome the vagaries of the market. These include offering tailored packages in specialized areas, and adopting a more aggressive marketing policy built on three basic strengths: low operating expenses, technical expertise and an excellent reputation in the market.

Container Operations

The year 1984 marked a return to profitability for Container Operations. Net income amounted to $2.1 million and was in contrast with losses of $33.4 million in 1983 and $2.4 million in 1982. The loss in 1983 included write-offs of approximately $11 million relating to withdrawal from the U.S. east coast container service and to re-organization of the Montreal-Western Europe service. In addition to the write-offs, the U.S. service accounted for about $13 million of Container Operations' 1983 loss.

The re-organization of the service between Montreal and Western Europe, which took effect January 1, 1984, involved Canadian Pacific and Compagnie Maritime Belge acting jointly through a newly created company, now called Canada Maritime Limited, to continue the St. Lawrence co-ordinated service with Manchester Liners.

Apart from the positive effects of the major streamlining of services and the absence of write-offs, the Company's Container Operations in 1984 benefited from the strongest trade recovery experienced in many years. The main reasons for this were buoyant economic conditions in North America and a strengthening of the Conferences following the disastrous 1983 rate war. As a result, there were progressive increases in rates on westbound traffic and, to a lesser degree, on the eastbound trade where the continuing strengthening of the U.S. dollar against European currencies and the slower rate of economic recovery in Western Europe limited the extent of rate recovery.

It is expected that westbound traffic will remain reasonably strong in 1985. A significant upturn in eastbound traffic awaits the strengthening of European currencies against the U.S. dollar. Also of significance in the outlook is the changing competitive environment, with the recent entry to the trade of several non-Conference competitors and the introduction of round-the-world services by certain U.S. east coast operators.

CP Trucks

Canadian Pacific Express & Transport Ltd.

CP Express & Transport's net income amounted to $1.7 million in 1984. This compares with net income of $5.2 million in 1983 and $1.3 million in 1982.

The reduction in income for 1984 was due to the General Commodities division, which operated under conditions of over-capacity in the industry and extensive rate cutting by carriers attempting to gain or hold market share. The Specialized Services division continued to grow rapidly during the year, due to increased coverage, higher market share and aggressive marketing. However, progress was hampered by the effects of customer labour

disruptions early in 1984. The increase in 1983 earnings over 1982 was due chiefly to stringent cost control programs and to volume growth in the Specialized Services group.

During 1984 CP Express & Transport continued its efforts to improve productivity through cost reduction programs and rationalization of operations, with the main objective to be fully competitive in the anticipated deregulated environment to come.

The company also pursued its policy of market and regional penetration during the year. Operations of the Specialized Services division were broadened by the acquisition of four trucking companies based in Saskatchewan and one in Ontario.

Despite the probability of continued over-capacity conditions in the industry, the company's outlook for 1985 is encouraging. The restructuring program is almost complete, thereby enabling greater efficiencies and an increase in market penetration. In addition, continued expansion is expected in the specialized areas.

CanPac International Freight Services Inc.

Net income from CanPac IFS amounted to $1.4 million in 1984, up from $701,000 in 1983 and $218,000 in 1982. The increase in 1984 was mainly the product of higher volumes and improved prices in the customs brokerage division. Income in 1983 was up over 1982 reflecting volume increases in the customs brokerage and warehouse divisions.

Soo Line Corporation

CP Limited's 55.7% share of net income from Soo Line amounted to $12.9 million in 1984, compared with $11.7 million in 1983 and $13.6 million in 1982.

Revenues of Soo Line were $430.4 million in 1984, $374.1 million in 1983 and $367.8 million in 1982. The revenue growth in 1984 was due largely to a 13% increase in freight volume. There were increases in general freight rates, but competitive pressures resulted in less revenue per unit overall. The improvement in 1983 over 1982 reflected an 11% gain in freight volume, partially offset by the effects of competition on rates.

Total expenses amounted to $407.2 million, compared with $353.2 million in 1983 and $343.3 million in 1982. The increases over the three-year period were attributable mainly to the growth in traffic volume, higher labour costs and increased equipment rentals.

In February 1985 a U.S. reorganization court rendered a decision allowing Soo Line to purchase the properties of the Milwaukee Road. Certain parties have appealed the decision. The acquisition enables Soo Line to expand its railway operations in the U.S. midwest.

There are some uncertainties in Soo Line's near-term future. The first involves the extent and duration of U.S. economic expansion, the second concerns the impact on competition of the unpredictable changes in the railroad industry as a result of mergers, acquisitions and affiliations, and the third stems from labour contract negotiations.

CP Telecommunications

Net income from the CNCP Telecommunications partnership amounted to $8.1 million, up from $6.4 million in 1983 and $5.1 million in 1982.

The Company's share of CNCP's revenues amounted to $169.1 million in 1984, compared with $157.5 million in 1983 and $152.4 million in 1982. Despite a six-week strike that interrupted operations, revenue in 1984 was more than in 1983, due to both improved rates and an expanded volume. Telex and leased services were the major areas of growth. Leased services provided most of the revenue increase in 1983 over 1982.

Expenses were $161.0 million in 1984, up from $151.1 million in 1983 and $147.3 million in 1982. The additional expenses in 1984 reflected mainly higher costs of leased facilities and increased depreciation charges arising from the acquisition of new assets. The rise in 1983 expenses compared with 1982 was due principally to higher labour expenses and increased costs of leased facilities.

CNCP is awaiting a decision by the regulatory authority on the application, made late in 1983, for enhanced interconnection which would enable CNCP to compete directly with telephone companies for the provision of long distance public telephone service. This service would begin shortly after a favourable decision.

Miscellaneous

There was a loss of $34.3 million for 1984, which compared with a loss of $18.1 million in 1983 and income of $3.6 million in 1982.

Of the increased loss in 1984 over 1983, more than half was attributable to an offshore insurance subsidiary, which incurred significantly higher losses. There were also unfavourable effects of currency exchange fluctuations and higher interest charges. In addition, in 1983 Miscellaneous included

CP Limited's share of Government branch line payments to the Northern Alberta Railways Company in respect of claims made before the Company sold its interest in that railway.

Canadian Pacific Consulting Services Ltd., a wholly-owned subsidiary of CP Limited, earned a profit of $610,000 in 1984, up from a small loss in 1983. During 1984, Canadian Pacific Consulting secured significant railway contracts in China and Europe in addition to continuing work on a major project in Indonesia and on projects in eighteen other countries. Since its incorporation in 1970, about 475 assignments have been completed in 57 countries.

The loss from Miscellaneous in 1983, compared to a profit in 1982, resulted largely from a reduction in interest income due not only to reduced cash levels, but also to the termination of aircraft lease payments upon the recapitalization of CP Air at the beginning of 1983.

Canadian Pacific Enterprises Limited

Net income from Canadian Pacific Enterprises Limited, 69.9% owned by CP Limited, amounted to $211.4 million in 1984. This represented a sharp upturn over 1983 when earnings amounted to $44.1 million, excluding a gain on sale of CP Hotels in that year. In 1982, income from Enterprises was $106.0 million.

Enterprises' total revenues were $9,856 million in 1984, $8,652 million in 1983 and $8,495 million in 1982. Expenses amounted to $9,483 million in 1984, $8,657 million in 1983 and $8,296 million in 1982.

Oil and Gas

Enterprises' income from PanCanadian Petroleum, representing an 87.1% interest, amounted to $261.3 million in 1984, $209.9 million in 1983 and $200.9 million in 1982.

PanCanadian's revenues totalled $1,055 million in 1984, $884 million in 1983 and $793 million in 1982. The increase in 1984 revenues compared with 1983 was due primarily to higher production of most oil and gas products, and improved selling prices for oil. Prices of natural gas also rose. In 1983 revenues were up, reflecting mainly better prices and increased production of oil.

Expenses of PanCanadian amounted to $755 million in 1984, up from $643 million in 1983 and $562 million in 1982. The increases since 1982 came largely from higher operating costs, reflecting a greater number of producing properties, as well as increased depletion and depreciation charges.

During 1984, the Federal Government took steps to stimulate exports of oil and gas to the United States. Under the new policies, exporters of natural gas are permitted to negotiate prices directly with customers, subject to a minimum level based on the price of gas sold at Toronto. In addition, licences were approved for the export, at competitive prices, of crude oil in excess of domestic needs. PanCanadian considers these policy changes to be positive both for the industry and the company.

Mines and Minerals

Cominco, 53.2% owned by Enterprises, returned to a profit position in 1984, and Enterprises' share amounted to $5.6 million. In 1983 and 1982, there were losses of $30.0 million and $23.5 million, respectively.

Cominco's revenues of $1,624 million in 1984 were up from $1,388 million in 1983 and $1,277 million in 1982. The significant increase in 1984 was attributable largely to an upturn in selling prices for refined zinc and lead, and zinc concentrates, higher sales volumes of most metal products, and better prices and increased volumes of chemicals and fertilizers. However, prices for silver, gold and copper concentrate were depressed. Cominco's 1984 revenues also included a net gain of $5 million arising mainly from the sale of an interest in an oil recovery project. The revenue increase in 1983 over 1982 was chiefly the result of higher sales volumes of all products, except gold, and better prices for silver, zinc, gold and copper. Included in revenues for 1982 was a net gain of $18 million from the sale of oil and gas properties.

Total expenses of Cominco were $1,595 million in 1984, compared with $1,431 million in 1983 and $1,311 million in 1982. The increase in 1984 expenses was consistent with Cominco's higher volumes. In addition, there were increases in both depreciation and depletion charges due largely to the impact of a full year's operation from projects completed during 1983. Expenses in 1983 were higher than in 1982, largely because of increased sales and production volumes.

Early in 1985, Cominco reduced its interest in Pine Point Mines Limited from 69% to 51%. A net gain of some $9 million from the sale will be reported by Cominco in the first quarter of 1985.

Fording Coal, 60% owned by Enterprises and 40% by Cominco, made a profit of $15.3 million in

1984. In 1983, its net income was $4.4 million, down from $12.1 million in 1982. Despite a decrease in the selling price of coal, Fording's income in 1984 was higher than in 1983. This was due to increased shipments, reflecting recovery of volume lost during the 1983 strike by mine employees and market diversification. The drop in 1983 income was attributable not only to reduced sales volume, but also to a decrease in coal prices.

Net income from Enterprises' 79.6% holding in Steep Rock Resources amounted to $306,000 in 1984, compared with $846,000 in 1983 and $1.4 million in 1982. Steep Rock's 1982 results included non-recurring charges of $2.0 million relating to obligations arising from the closure of its mine. During 1982 and 1983 Steep Rock's income was derived primarily from investment of funds. In 1983 the company paid dividends, thereby reducing cash levels and investment income. Steep Rock's 1984 income declined from 1983, owing largely to higher corporate and other costs.

Forest Products

A net loss of $11.7 million incurred by CIP Inc. in 1984 was down significantly from losses of $83.6 million in 1983 and $101.8 million in 1982. Included in 1984 results was non-recurring income of $18.5 million related to the sale of investment tax credits and tax losses by NBIP, a subsidiary of CIP, to Pan-Canadian. There was also a gain of $7.5 million due to the recognition of the tax effects of losses incurred by Tahsis.

CIP's revenues totalled $1,476 million in 1984, up from $1,207 million in 1983 and $1,107 million in 1982. Its expenses amounted to $1,488 million in 1984, $1,302 million in 1983 and $1,213 million in 1982. Aside from the effects of the tax-related benefits, CIP's improved results in 1984 stemmed mainly from higher sales volumes and better selling prices for most products, particularly newsprint. Shipments of newsprint were up 23%, and selling prices increased an average of 8%. The reduction in CIP's 1983 loss from 1982 was due principally to reduced interest expense and lower losses from Tahsis.

Enterprises' net income from Great Lakes Forest Products, representing a 54.3% interest, was $9.7 million in 1984. This figure compares with a net loss of $5.4 million in 1983 and income of $11.6 million in 1982.

Great Lakes had revenues of $603 million in 1984, $496 million in 1983 and $442 million in 1982. The increase in 1984 revenues was attributed largely to higher selling prices for newsprint, kraft pulp and fine papers, together with increased shipments of all products. Higher product shipments were the main reason for the revenue increase in 1983 compared with 1982.

Expenses of Great Lakes amounted to $585 million in 1984, up from $506 million in 1983 and $421 million in 1982. The higher volume levels, combined with increased costs, contributed to the rise in expenses over the period.

Pacific Forest Products had losses of $7.9 million in 1984, $9.8 million in 1983 and $7.1 million in 1982. The results in 1984 included a gain of $6.3 million arising from the recognition of the tax effect of losses. Results in 1982 included a net gain of $9.2 million on the sale of land. Although there was some improvement in market conditions in 1983 relative to 1982, Pacific Forest's operations over the period reflected depressed volumes and weak prices for both logs and lumber.

Iron and Steel

Enterprises' share of Algoma Steel's loss, representing a 61.2% interest, amounted to $37.7 million in 1984. This compares with losses of $84.2 million in 1983 and $31.5 million in 1982.

Total revenues reported by Algoma, including Algoma's share of the results of AMCA International, amounted to $1,101 million in 1984, up from $841 million in 1983 and $902 million in 1982. In 1984, revenues were more than in 1983, as shipments of finished rolled steel products increased and product mix was more favourable. Despite higher shipments, revenues in 1983 were below those of 1982, due to depressed selling prices and a sales mix directed towards lower priced products.

Total expenses of Algoma amounted to $1,147 million in 1984, $969 million in 1983 and $942 million in 1982. The effect on expenses of higher volume levels in 1984 was partially offset by the benefits of an aggressive cost reduction program. Increased volumes and higher interest charges contributed to the increase in 1983 expenses over 1982.

In addition to its interest in Algoma's 34.5% share of AMCA International, Enterprises has a 16.2% direct ownership. After deduction of AMCA's preferred dividends, this holding accounted for a loss of $2.6 million in 1984. This compares with a loss of $9.2 million in 1983 and net income of $5.8 million in 1982. AMCA's 1984 results included a refund of a surplus in its Canadian pension fund totalling $12.7 million. In 1984 and 1983 there were provisions for

losses of $4.6 million and $27.0 million, respectively, after tax, relating to the write-off of discontinued operations.

In addition to its direct and indirect interest in AMCA, Enterprises received preferred dividends from AMCA totalling $1.3 million in 1984.

AMCA's operating results in 1984 benefited from increased sales volumes, which more than compensated for severe price discounting. In 1983, there were significant reductions in both sales volumes and selling prices.

Real Estate

Marathon Realty Company had net income of $27.3 million in 1984, compared with $25.9 million in 1983 and $26.2 million in 1982.

Marathon's revenues amounting to $278 million in 1984 were up from $274 million in 1983 and $251 million in 1982. Expenses totalled $250 million in 1984, $248 million in 1983 and $225 million in 1982. The improvement in Marathon's 1984 results was due mainly to increased rental income from its portfolio of buildings, particularly shopping centres. In 1983 earnings were not much different from 1982.

Agriproducts

Income from Maple Leaf Mills rose to $15.5 million in 1984, from $14.9 million in 1983 and $12.2 million in 1982.

Total revenues posted by Maple Leaf were $980 million in 1984, $1,031 million in 1983 and $913 million in 1982. The decline in 1984 revenues compared with 1983 reflected reduced international grain trading activity. In 1983 revenues exceeded those of 1982, due mainly to increased international grain trading activity and improved grain prices.

Maple Leaf's expenses totalled $961 million in 1984, compared with $1,014 million in 1983 and $899 million in 1982. The expense fluctuations over the period were consistent with the changing volume levels.

Baker Commodities reported net income of $14.9 million in 1984, compared with $3.3 million in 1983 and $0.6 million in 1982. Of the increase in 1984 over 1983, $9.8 million was due to the elimination of a deferred tax balance in accordance with a change in the U.S. tax law. Baker Commodities was sold in January 1985.

Net income from Theresa Friedman, which is engaged in the processing and packaging of fruit preserves and fruit juices, amounted to $421,000 in 1984, down from $2.3 million in 1983 and $0.9 million in 1982. The lower income in 1984 was attributable mostly to reduced sales volumes and more competitive pricing.

Other Businesses

Net income of $9.2 million in 1984 was down from $15.3 million in 1983, when results of CP Hotels were included for eleven months. The commentary on CP Hotels' income is included under CP Air on page 8. In 1982 earnings from Other Businesses amounted to $15.3 million.

Income from Syracuse China Corporation, based in the United States, amounted to $4.8 million in 1984, compared with $4.4 million in 1983 and $4.2 million in 1982. Growth over the three-year period resulted chiefly from higher selling prices for chinaware and a more favourable product mix.

Processed Minerals Incorporated, which also operates in the United States, earned $4.3 million in 1984, up from $2.2 million in 1983 and $2.6 million in 1982. The increase in 1984 came largely from improved prices and higher sales volumes of its major products: salt and wollastonite.

Financial

Chateau Insurance Company incurred a loss of $484,000 in 1984. This compares with net income of $390,000 in 1983 and a loss of $2.0 million in 1982. The phasing out of unprofitable lines of business accounted for the improvement in 1983 compared with 1982. An increased provision for prior years' claims led to the deterioration in 1984 results.

Corporate activities contributed net income of $5.8 million in 1984, compared with $2.7 million in 1983 and $18.3 million in 1982. Income in 1982 included net gains of $19 million on sale of portfolio investments. In 1984, there was a gain of $4 million arising from the dissolution of two foreign subsidiaries.

Accounting Policies

General

Basic Financial Reporting and Consolidation Policy
Canadian Pacific Limited (CP Limited) carries on transportation and related enterprises directly and through subsidiaries, in Canada and internationally. CP Limited also holds 107,941,718 common shares of Canadian Pacific Enterprises Limited (Enterprises) representing 69.86% of its common shares at December 31, 1984 (70.12% at December 31, 1983 and 70.33% at December 31, 1982). Enterprises, through various subsidiary companies, carries on development of extensive natural resource properties and engages in manufacturing and other activities in Canada and abroad.

The financial statements of all subsidiary companies except those of two finance companies, which are accounted for on the equity basis, are included in the consolidated financial statements of CP Limited and have been prepared in accordance with accounting principles generally accepted in Canada. The major differences between Canadian and United States generally accepted accounting principles, insofar as they apply to the Corporation, are described under Supplementary Data. Unless otherwise specified, all dollar amounts are expressed in Canadian dollars.

The statement of consolidated income on page 19 is designed to present clearly CP Limited's income from its transportation related activities and from its holding in Enterprises. Income from transportation is segregated between the major functions – rail, air, ships, trucks, Soo Line Corporation and telecommunications. A breakdown of income by function for the operations carried on by Enterprises is presented on page 25. The significant accounting policies of each group are described below, and should be read in conjunction with the consolidated financial statements and the notes thereto.

Foreign Currency Translation
Foreign currency assets and liabilities of CP Limited's Canadian operations are translated into Canadian dollars at the year-end exchange rate, while foreign currency revenues and expenses are translated at the exchange rate in effect on the dates of the related transactions. With the exception of unrealized gains and losses on long term monetary assets and liabilities, which are being amortized to income over the remaining lives of the related items, foreign currency gains and losses are included in income immediately.

The accounts of CP Limited's foreign subsidiaries are translated into Canadian dollars using the year-end exchange rate for assets and liabilities and the average rates in effect for the year for revenues and expenses. Exchange gains or losses arising from translation are deferred and included under Shareholders' Equity as Foreign Currency Translation Adjustments. Also included as a foreign currency translation adjustment is the exchange credit arising from translation of the Corporation's Perpetual 4% Consolidated Debenture Stock (see Note 1).

Pensions
In addition to current service costs, charges to income include annual payments on account of past service liabilities. Such liabilities are being funded over varying periods to 2027.

Transportation

Income Reporting by Function

CP Limited operates its various transportation enterprises as separate profit centres. CP Rail, comprising railway and coastal steamship operations, and CP Telecommunications, comprising mainly a 50% share of the CNCP Telecommunications partnership, are departments of CP Limited. CP Air (Canadian Pacific Air Lines, Limited, Eastern Provincial Airways Limited and Canadian Pacific Hotels), CP Ships (Canadian Pacific Steamships, Limited, Centennial Shipping Limited, Racine Terminal (Montreal) Limited and Canadian Pacific (Bermuda) Limited) and CP Trucks (Canadian Pacific Express & Transport Ltd. and CanPac International Freight Services Inc.) are operated through subsidiary companies in which the Corporation owns 100% of the common shares; the Soo Line Corporation is 55.74% owned (55.69% at December 31, 1983 and 1982).

In order to present fairly the results by profit centre, charges for services performed by one profit centre for another, which are made at normal tariff or other arm's length rates, are not eliminated. Consolidated net income is not affected by this practice. Services provided by CP Rail to other profit centres yielded revenues in 1984 of $292,000,000 (1983 – $247,000,000; 1982 – $233,000,000). There were no other significant inter-company services provided by the transportation group. CP Limited's rent for leased railways is assigned to CP Rail. Other interest paid by CP Limited is allocated to CP Rail, CP Telecommunications and Miscellaneous as appropriate. Interest paid by other transportation companies is charged to their respective profit centres.

CP Limited's income taxes are allocated to CP Rail, CP Telecommunications and Miscellaneous on the basis of their accounting incomes as adjusted for non-taxable items. Taxes of other transportation companies are charged to their respective profit centres.

Properties

Maintenance and repairs are charged to expenses as incurred. Major additions and replacements generally are capitalized with the exception of the following which are charged to expenses:

1. Labour costs relating to track structure replacements.
2. Renewals of parts of units of railway property which do not constitute "major renewals" as defined by the Uniform Classification of Accounts for railways subject to regulation by the Canadian Transport Commission.

Depreciation

Depreciation is calculated on the straight-line basis at rates based upon the estimated service lives of depreciable property. For railway properties, the rates used by CP Rail are as authorized by the Canadian Transport Commission and by the Interstate Commerce Commission for the Soo Line Railroad Company; for telecommunications properties, the rates used are as authorized by the Canadian Radio-television and Telecommunications Commission. When railway and telecommunications depreciable property is retired or otherwise disposed of, the book value, less net salvage, is charged to accumulated depreciation.

Estimated service lives used for principal categories of properties are as follows:

	Years
Railway	
– road diesel locomotives	20
– freight cars	30
– ties	28
– rails – in first position	21
– in other than first position	45
Ships	18 to 25
Aircraft	10 to 16
Telecommunications equipment	6 to 19
Trucks	5 to 12

During 1983 the estimated service lives and residual values of aircraft were revised to conform more closely with industry norms. As a result of this revision CP Air's 1983 depreciation expense was reduced by $15,400,000.

Canadian Pacific Enterprises Limited

Income Reporting by Function
The financial statements of all subsidiary companies are consolidated in the financial statements of Enterprises except those of two finance companies, which are accounted for on the equity basis. The classes of business are based upon the major activities of significant subsidiaries, and the principal companies included in each class are as follows:

Percentage Ownership by Enterprises	December 31 1984	1983	1982
Oil and Gas			
PanCanadian Petroleum Limited	87.08%	87.08%	87.08%
Mines and Minerals			
Cominco Ltd.	53.23	54.31	54.34
Fording Coal Limited			
Enterprises	60	60	60
Cominco Ltd.	40	40	40
Steep Rock Resources Inc.	79.61	79.61	79.44
Forest Products			
CIP Inc.	100	100	100
Great Lakes Forest Products Limited	54.28	54.28	54.28
Pacific Forest Products Limited	100	100	100
Commandant Properties, Limited	100	100	100
Iron and Steel			
The Algoma Steel Corporation, Limited	61.17	61.16	61.15
AMCA International Limited			
Enterprises	16.15	16.21	16.38
The Algoma Steel Corporation, Limited	34.47	34.59	34.94
Real Estate			
Marathon Realty Company Limited	100	100	100
Agriproducts			
Maple Leaf Mills Limited	100	100	100
CanPac AgriProducts Limited*	—	100	100
Baker Commodities, Inc.	100	100	100
Theresa Friedman & Sons, Inc.	100	100	100
Other Businesses			
Canadian Pacific Hotels Limited**	—	—	100
Syracuse China Corporation	100	100	100
Processed Minerals Incorporated	100	100	100
Financial			
Canadian Pacific Enterprises Limited Corporate activities			
Canadian Pacific Securities Limited	100	100	100
Chateau Insurance Company	99.98	99.98	99.98
Canadian Pacific Enterprises (International) B.V.***	—	100	100
Canadian Pacific Enterprises (U.S.) Inc.	100	100	100
Canadian Pacific Enterprises (Finance) N.V.***	—	100	100

*In July 1984, this company was merged with its parent, Canadian Pacific Enterprises (U.S.) Inc. The operating subsidiaries of CanPac AgriProducts Limited, Baker Commodities, Inc. and Theresa Friedman & Sons, Inc. continue to be reported in the Agriproducts segment.
**This company was sold to Canadian Pacific Air Lines, Limited on December 1, 1983.
***These companies were liquidated in December 1984.

The Algoma Steel Corporation, Limited supplies structural steel and plate to AMCA International Limited. In reporting the results of Iron and Steel operations in the analysis of Enterprises' operations on page 25, the following amounts have been eliminated from sales and operating revenue and from expenses: 1984 – $41,965,000; 1983 – $31,010,000; 1982 – $35,900,000. Inter-company interest charges amounting to $103,259,000 in 1984, $99,070,000 in 1983 and $72,310,000 in 1982, have not been eliminated in the analysis of Enterprises' operations in order to present fairly the results by activity. Enterprises' net income is not affected by this practice. However, inter-company interest charges have been eliminated from Enterprises' revenues and expenses in the CP Limited Statement of Consolidated Income on page 19. There are no other significant inter-company charges within the Enterprises group of companies.

Inventories
Products, work in progress and raw materials of mining operations are valued generally at the lower of cost (determined on the monthly average method) and net realizable value. Supplies are valued at cost less appropriate allowances for obsolescence.

Finished products of Iron and Steel and work in progress related to steel making operations are valued at the lower of cost and net realizable value. Work in progress related to construction contracts is stated at

accumulated production costs less amounts charged to income based on the percentage of completion of individual contracts. Raw materials and supplies are valued at the lower of cost and replacement cost.

Other inventories (principally related to Forest Products and Agriproducts) are valued at the lower of cost (generally average cost) and net realizable value.

Accounting for Oil and Gas Properties
The full cost method of accounting is followed for oil and gas properties, whereby all costs related to the exploration for and the development of oil and gas reserves are capitalized on a world-wide cost centre basis. Such costs are depleted by the unit of production method based on estimated proven oil and gas reserves. In determining the depletion and depreciation provisions, the Corporation includes any excess of the net book value of conventional oil and natural gas property, plant and equipment assets over the unescalated net future operating revenues from its proven crude oil and natural gas reserves and the value of undeveloped properties.

Depreciation on plant and equipment is provided at rates which will amortize original costs over their estimated useful lives. The diminishing balance method is applied to all plant and equipment, except for the Empress and Syncrude facilities and the methanol plant, which are depreciated on the straight-line basis.

Interest on funds borrowed to finance major projects is capitalized during the construction period.

Accounting for Mining Properties
Expenditures on general mineral exploration are charged against earnings as incurred. Expenditures to investigate identified properties and to develop new mines are capitalized as mineral properties and development. Because of the uncertainty of the final outcome, expenditures on investigation, together with the cost of certain investments in mineral companies, are amortized against earnings by charges for depletion. Abandoned properties are written off in the year of abandonment. Depletion on operating mines is provided on a unit of production or on a time basis based on the mineral reserves position.

Interest related to the financing of major expenditures for fixed assets is capitalized during the construction period.

Accounting for Iron and Steel Properties
Depreciation of manufacturing plant and equipment is provided on a straight-line basis at rates intended to amortize the cost of these assets over their estimated economic lives. Mining equipment and mine development are either depreciated on a straight-line basis at rates intended to amortize the cost of these assets over their estimated economic lives or are amortized on a unit of production basis over the estimated recoverable raw material reserves.

Expenditures on exploration for, investigation of, and holding, raw material properties, and costs of research and start-up of new production facilities, are charged to earnings as incurred.

Interest incurred on funds borrowed directly to finance the development of new raw material properties and the construction of new manufacturing facilities is capitalized during the period of construction and initial development.

Accounting for Real Estate Properties

All operating and carrying costs net of rental revenues are capitalized for all income properties under construction until a satisfactory level of occupancy is obtained, subject to a reasonable maximum period of time.

Real estate is stated at cost, except for land held for sale which is stated at the lower of cost and net realizable value. Cost includes carrying costs, principally real estate taxes, interest, the applicable portion of salaries and expenses of development personnel and, for income properties, initial leasing costs.

The sinking fund method of providing depreciation is used for the majority of buildings. This method will write off the cost of the buildings over a maximum period of 40 years in a series of annual instalments increasing at the rate of 5% compounded annually.

Accounting for Other Properties
Depreciation and amortization of other properties are charged to earnings, either on a straight-line or on a unit of production basis, over the estimated economic lives of the facilities involved.

Interest on debt incurred to finance major expansion programs under Forest Products and Other Businesses is capitalized during the construction period.

**To the Shareholders
of Canadian Pacific Limited:**

Ve have examined the consolidated
alance sheets of Canadian Pacific
imited as at December 31, 1984 and
983 and the statements of consoli-
lated income, consolidated retained
ncome and changes in consolidated
inancial position for each of the
hree years in the period ended De-
ember 31, 1984. Our examinations
vere made in accordance with gen-
rally accepted auditing standards,
nd accordingly included such tests
nd other procedures as we consid-
red necessary in the circumstances.

In our opinion, these consoli-
ated financial statements present
airly the financial position of the
orporation as at December 31, 1984
nd 1983 and the results of its opera-
ons and the changes in its financial
position for each of the three years in the period ended December 31, 1984 in accordance with generally accepted accounting principles in Canada which, except for the changes in accounting for foreign currency translation and certain railroad track structure, with which we concur, described in Notes 1 and 4 respectively to the financial statements, have been consistently applied.

Price Waterhouse.

Chartered Accountants,
Montreal, Quebec,
March 8, 1985.

Statement of Consolidated Income

For the Year ended December 31	1984	1983	1982
	(in thousands, except per share amounts)		
CP Rail (Note 2)			
Revenues	$ **2,559,126**	$ 2,429,672	$ 2,147,074
Expenses including income taxes	**2,373,582**	2,245,703	2,029,201
Net income	**185,544**	183,969	117,873
CP Air (Note 3)			
Revenues	**1,234,196**	905,434	893,142
Expenses including income taxes	**1,216,978**	918,561	927,834
	17,218	(13,127)	(34,692
Preference dividend	**3,458**	3,281	4,522
Net income	**13,760**	(16,408)	(39,214
CP Ships			
Revenues	**340,164**	233,605	269,939
Expenses including income taxes	**360,192**	307,584	290,200
	(20,028)	(73,979)	(20,261
Minority interest	**3,578**	—	—
Net income	**(23,606)**	(73,979)	(20,261
CP Trucks			
Revenues	**373,378**	333,927	291,762
Expenses including income taxes	**370,308**	328,031	290,211
Net income	**3,070**	5,896	1,551
Soo Line Corporation (Note 4)			
Revenues	**430,352**	374,133	367,761
Expenses including income taxes	**407,193**	353,197	343,270
	23,159	20,936	24,491
Minority interest	**10,257**	9,277	10,852
Net income	**12,902**	11,659	13,639
CP Telecommunications			
Revenues	**169,047**	157,507	152,437
Expenses including income taxes	**160,973**	151,088	147,334
Net income	**8,074**	6,419	5,103
Miscellaneous			
Net income	**(34,273)**	(18,074)	3,603
Transportation and Miscellaneous			
Net income	**165,471**	99,482	82,294
Canadian Pacific Enterprises Limited (Note 5)			
Revenues	**9,856,057**	8,652,239	8,494,663
Expenses including income taxes	**9,482,829**	8,656,659	8,295,839
	373,228	(4,420)	198,824
Minority interests	**161,796**	(48,530)	92,824
Net income	**211,432**	44,110	106,006
Net Income	$ **376,903**	$ 143,592	$ 188,294
Earnings per Ordinary Share	$ **5.24**	$ 1.98	$ 2.60

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Statement of Consolidated Retained Income

For the Year ended December 31	**1984**	1983	1982
		(in thousands)	
Balance, January 1			
As previously reported	**$ 3,327,138**	$ 3,259,648	$ 3,194,666
Adjustment for share of increase in retained income of the Soo Line Corporation (Note 4)	**—**	24,721	—
As restated	**3,327,138**	3,284,369	3,194,666
Net income	**376,903**	143,592	188,294
Gain (loss) arising from the increase in shareholders' equity of a subsidiary due to the issuance of common shares	**613**	996	(2,302)
	3,704,654	3,428,957	3,380,658
Commission and expenses relating to the issuance of common shares by a subsidiary company net of income tax of $1,462,000 and minority interest of $474,000	**—**	—	1,123
Dividends			
7¼% Preferred shares	**834**	967	1,109
4% Preference shares	**519**	525	535
Ordinary shares (per share: 1984 – $1.40; 1983 – $1.40; 1982 – $1.65)	**100,327**	100,327	118,243
Total dividends	**101,680**	101,819	119,887
Balance, December 31	**$ 3,602,974**	$ 3,327,138	$ 3,259,648

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Statement of Changes in Consolidated Financial Position

For the Year ended December 31	1984	1983	1982
		(in thousands)	
Source of Funds			
Net income	**$ 376,903**	$ 143,592	$ 188,294
Depreciation, depletion and amortization	**875,117**	757,008	684,641
Deferred income taxes	**91,010**	(115,501)	26,269
Minority interest in income of subsidiaries	**179,089**	(35,972)	108,198
Funds from operations	**1,522,119**	749,127	1,007,402
Reduction of investments	**67,805**	72,906	73,035
Issuance of long term debt	**603,926**	701,994	1,541,702
Issuance of shares by subsidiaries	**228,697**	229,141	174,669
Proceeds from disposal of properties	**172,752**	101,686	105,792
Working capital of subsidiaries acquired and consolidated	**—**	—	115,128
Sundries, net	**12,415**	75,039	105,848
	$ 2,607,714	$ 1,929,893	$ 3,123,576
Application of Funds			
Additions to properties	**$ 1,343,097**	$ 1,173,146	$ 1,966,710
Additions to investments	**85,432**	37,017	74,178
Investment in subsidiaries acquired and consolidated	**20,070**	—	399,315
Reduction in long term debt	**714,834**	706,502	787,431
Reduction of minority shareholders' interest in subsidiaries	**—**	—	16,871
Preferred shares purchased for cancellation	**1,926**	1,479	1,978
Dividends	**101,680**	101,819	119,887
Dividends paid minority shareholders of subsidiaries	**143,477**	131,467	141,502
Working capital deficit of subsidiary acquired and consolidated	**15,406**	—	—
Increase (decrease) in working capital	**181,792**	(221,537)	(384,296
	$ 2,607,714	$ 1,929,893	$ 3,123,576

Changes in Consolidated Working Capital

	1984	1983	1982
Current Assets			
Cash and temporary investments	**$ (129,623)**	$ 96,394	$ (450,096
Accounts receivable	**388,671**	109,654	(265,609
Inventories	**27,929**	(186,628)	115,605
	286,977	19,420	(600,100
Current Liabilities			
Bank loans	**107,104**	(38,529)	(44,731
Accounts payable and accrued liabilities	**238,502**	162,987	(148,464
Notes and accrued interest payable	**65,353**	(13,313)	(62,194
Income and other taxes payable	**(173,142)**	110,649	(33,548
Dividends payable	**(107)**	(1,255)	(44,421
Long term debt maturing within one year	**(132,525)**	20,418	117,554
	105,185	240,957	(215,804
Increase (decrease) in working capital	**$ 181,792**	$ (221,537)	$ (384,296

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Consolidated Balance Sheet
December 31

Assets	1984	1983
Current Assets	(in thousands)	
Cash and temporary investments, at cost (approximates market)	$ 483,687	$ 613,310
Accounts receivable	2,073,843	1,685,172
Rail materials and supplies, at cost or less	236,367	214,981
Other inventories (Note 10)	1,752,726	1,746,183
	4,546,623	4,259,646
Insurance Fund		
(approximate market $4,215,000; 1983 – $4,180,000)	4,000	4,000
Investments (Note 11)	407,209	463,220
Properties, at cost (Note 12)		
CP Rail	4,448,451	4,051,672
CP Air	1,558,644	1,452,571
CP Ships	873,205	761,853
CP Trucks	205,116	181,118
Soo Line Corporation	935,015	726,690
CP Telecommunications	328,540	307,657
Miscellaneous	36,403	35,136
Canadian Pacific Enterprises Limited	11,425,931	10,665,252
	19,811,305	18,181,949
Less: Accumulated depreciation, depletion and amortization	6,564,149	5,752,360
	13,247,156	12,429,589
Other Assets and Deferred Charges	591,134	445,494
	$ 18,796,122	$ 17,601,949

Liabilities	1984	1983
	(in thousands)	
Current Liabilities		
Bank loans	$ 414,750	$ 307,646
Accounts payable and accrued liabilities	2,353,160	2,114,658
Notes and accrued interest payable	391,279	325,926
Income and other taxes payable	85,434	258,576
Dividends payable	41,486	41,593
Long term debt maturing within one year	291,270	423,795
	3,577,379	3,472,194
Deferred Liabilities	176,928	145,843
Insurance Reserve	4,000	4,000
Long Term Debt (Note 13)	5,317,722	5,112,650
Perpetual 4% Consolidated Debenture Stock (Note 14)	157,805	292,549
Minority Shareholders' Interest in Subsidiary Companies (Note 15)	2,997,161	2,674,355
Deferred Income Taxes	1,775,625	1,657,960
Deferred Income Credits (Note 16)	266,559	189,827
Shareholders' Equity (Note 17)		
Preferred shares		
Authorized – 21,458,910 shares without nominal or par value		
Issued – 1,077,122 7¼% Cumulative Redeemable Series A shares (1983 – 1,270,910)	10,771	12,709
Preference shares – 4% non-cumulative		
Authorized – an amount not exceeding one-half the aggregate amount of Ordinary shares outstanding		
Issued – 853,923 Sterling Preference shares	4,156	4,156
– 3,571,272 Canadian Dollar Preference shares	10,714	10,714
	14,870	14,870
Ordinary shares		
Authorized – 100,000,000 shares without nominal or par value		
Issued – 71,662,280 shares	358,311	358,311
Premium on securities	115,308	115,296
Other paid-in surplus	161,390	224,247
Foreign currency translation adjustments	259,319	—
Retained income	3,602,974	3,327,138
	4,522,943	4,052,571
	$ 18,796,122	$ 17,601,949

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Approved on behalf of the Board:

F. S. Burbidge

Director

W. W. Atkinson

Director

1. Change in Accounting for Translation of Foreign Currencies

Effective January 1, 1984, the Corporation and its subsidiaries adopted on a prospective basis the recent recommendations of the Canadian Institute of Chartered Accountants on foreign currency translation. The new accounting policy, described under Foreign Currency Translation on page 14, had the effect of reducing consolidated net income for 1984 by approximately $30,000,000.

2. CP Rail Results

On January 1, 1984, the Western Grain Transportation Act became effective. The new Act brought to an end the previous statutory grain freight rates and the Government's ongoing payments towards the cost of operating uneconomic western branch lines. The Act also brought to an end the interim grain payments made in 1983 by the Government to Canadian railways pending the passage of the new legislation.

Western branch line and interim grain payments included in CP Rail's results for 1983 amounted to approximately $185,000,000 after tax of which approximately $53,000,000 pertained to years prior to 1983.

Payments to CP Rail in 1984 under the new Act comprised amounts from the Government (replacing the previous western branch line and interim grain payments) as well as increased rates paid by shippers. The Government payments together with the change in shipper rates amounted to approximately $167,000,000 after tax.

3. CP Air Results

Included in CP Air's results for 1984 are the results of CP Hotels (net income of $10,858,000) and the results from September 1, 1984 of Eastern Provincial Airways Limited (net loss of $2,708,000). CP Hotels was acquired from Canadian Pacific Enterprises Limited on December 1, 1983, and its results up to November 30, 1983, (net income of $8,654,000) are included under Enterprises' Other Businesses and for December, 1983 (net loss of $1,421,000) under CP Air. Eastern Provincial Airways Limited, which was acquired on August 31, 1984, for approximately $20,000,000, has been accounted for as a purchase and consolidated from the date of acquisition.

4. Soo Line Corporation

On December 31, 1984, the Corporation's shares in the Soo Line Railroad Company (Soo Railroad) were exchanged for an equal number of shares in Soo Line Corporation, a holding company that now holds all the shares of Soo Railroad.

During 1983, the Soo Railroad adopted on a retroactive basis a change from betterment accounting to depreciation accounting for track structures. The revised basis of accounting conforms with the method used by the Soo Railroad in its reporting to the Interstate Commerce Commission in the United States. As a result of this change, CP Limited's consolidated retained income at January 1, 1983 increased by $24,721,000, while consolidated net income increased by $1,506,000 for 1983 and $1,911,000 for 1984. The revised basis of accounting also increases the amounts reported for Soo Railroad properties and accumulated depreciation at December 31, 1984 by $284,636,000 and $203,409,000 respectively (1983 – $202,000,000 and $141,000,000 respectively).

On February 19, 1985, Soo Line acquired the transportation operations and related assets of the Chicago, Milwaukee, St. Paul and Pacific Railroad Company. Certain parties have appealed the decision of a U.S. reorganization court which accepted the Soo Line bid over a higher competing bid. The purchase price is estimated to be U.S. $595,000,000 of which U.S. $192,000,000 was paid in cash and the remainder represents obligations assumed and other acquisition costs. The cash payment was financed by a U.S. $100,000,000 line of credit and short term borrowings of U.S. $100,000,000 of which U.S. $70,000,000 has been repaid. The remaining short term borrowings are expected to be repaid when the Soo Line negotiates a U.S. $50,000,000 line of credit for working capital purposes.

5. Canadian Pacific Enterprises Limited – Net Income	1984	1983	1982
Oil and Gas		(in thousands)	
Gross operating revenue	$ 1,055,358	$ 884,387	$ 792,599
Expenses including income and revenue taxes	755,329	643,296	561,933
	300,029	241,091	230,666
Interest of outside shareholders	38,764	31,149	29,802
Net income	261,265	209,942	200,864
Mines and Minerals			
Gross operating revenue	1,904,581	1,611,548	1,554,334
Expenses including income taxes	1,864,658	1,649,809	1,577,401
	39,923	(38,261)	(23,067)
Interest of outside shareholders	23,344	(12,778)	(9,869)
Net income	16,579	(25,483)	(13,198)
Forest Products			
Sales and operating revenue	2,199,331	1,832,177	1,654,128
Expenses including income taxes	2,201,398	1,947,735	1,746,788
	(2,067)	(115,558)	(92,660)
Interest of outside shareholders	7,718	(16,746)	4,684
Net income	(9,785)	(98,812)	(97,344)
Iron and Steel			
Sales and operating revenue	3,017,627	2,454,605	2,680,471
Expenses including income taxes	3,063,530	2,619,839	2,684,669
	(45,903)	(165,234)	(4,198)
Interest of outside shareholders	(6,861)	(71,808)	21,519
Net income	(39,042)	(93,426)	(25,717)
Real Estate			
Gross rentals and other income	277,570	274,083	251,065
Expenses including income taxes	249,794	247,872	224,498
	27,776	26,211	26,567
Interest of outside shareholders	453	350	355
Net income	27,323	25,861	26,212
Agriproducts			
Gross operating revenue	1,258,658	1,229,351	1,137,473
Expenses including income taxes	1,225,126	1,206,202	1,118,664
	33,532	23,149	18,809
Interest of outside shareholders	2,684	2,547	2,189
Net income	30,848	20,602	16,620
Other Businesses			
Gross operating revenue	93,245	322,910	327,360
Expenses including income taxes	84,081	307,628	312,092
Net income	9,164	15,282	15,268
Financial			
Gross operating revenue	152,946	142,248	169,543
Expenses including income taxes	142,172	133,348	142,104
Net income	10,774	8,900	27,439
Canadian Pacific Enterprises Limited – Net income	307,126	62,866	150,144
Preferred dividends	4,851	—	—
	302,275	62,866	150,144
Minority interest	90,843	18,756	44,144
Net Income	$ 211,432	$ 44,110	$ 106,000

6. Expenses Including Income Taxes	1984	1983	1982
		(in thousands)	
CP Rail			
Maintenance	**$ 728,880**	$ 709,540	$ 607,476
Transportation	**782,153**	722,030	692,347
General and administrative	**535,020**	479,662	471,499
Depreciation and amortization	**117,317**	114,091	106,640
Fixed charges	**48,730**	41,315	38,800
Income taxes	**161,482**	179,065	112,439
	$ 2,373,582	$ 2,245,703	$ 2,029,201
CP Air			
Maintenance	**$ 84,524**	$ 67,301	$ 76,330
Operating expenses and cost of goods sold	**665,513**	531,670	523,003
Selling, general and administrative	**319,030**	229,063	223,389
Depreciation and amortization	**80,314**	62,182	75,902
Interest	**54,378**	40,022	59,138
Income taxes	**13,219**	(11,677)	(29,928)
	$ 1,216,978	$ 918,561	$ 927,834
CP Ships			
Maintenance	**$ 22,579**	$ 17,836	$ 23,631
Other operating	**219,358**	163,197	169,291
Selling, general and administrative	**47,386**	71,485	41,187
Depreciation and amortization	**44,142**	39,124	38,579
Interest	**20,092**	18,875	17,433
Income taxes	**6,635**	(2,933)	79
	$ 360,192	$ 307,584	$ 290,200
CP Trucks			
Maintenance	**$ 27,005**	$ 24,510	$ 22,610
Other operating	**264,685**	229,600	204,594
Selling, general and administrative	**58,879**	56,163	48,709
Depreciation and amortization	**14,103**	12,673	10,975
Interest	**4,055**	1,851	1,963
Income taxes	**1,581**	3,234	1,360
	$ 370,308	$ 328,031	$ 290,211
Soo Line Corporation			
Maintenance	**$ 113,186**	$ 97,320	$ 107,070
Traffic	**9,806**	8,922	9,343
Other operating	**211,854**	185,849	177,042
General and administrative	**20,185**	18,144	14,539
Depreciation and amortization	**25,818**	20,595	10,885
Interest	**11,678**	12,288	13,690
Income taxes	**14,666**	10,079	10,701
	$ 407,193	$ 353,197	$ 343,270

CP Telecommunications			
Maintenance	**$ 81,924**	$ 76,952	$ 74,645
Other operating	**6,638**	7,767	9,212
Selling, general and administrative	**34,287**	30,203	29,600
Depreciation and amortization	**22,453**	22,064	20,773
Interest	**7,500**	7,500	7,686
Income taxes	**8,171**	6,602	5,418
	$ 160,973	$ 151,088	$ 147,334
Miscellaneous			
Operating, general and administrative	**$ 55,266**	$ 48,425	$ 36,019
Depreciation and amortization	**20,184**	1,340	1,079
Fixed charges	**51,201**	43,515	69,852
Income taxes	**(13,419)**	(26,427)	(12,521)
	$ 113,232	$ 66,853	$ 94,429
Canadian Pacific Enterprises Limited			
Operating expenses and cost of goods sold	**$ 7,050,844**	$ 6,508,089	$ 6,197,324
Distribution, selling, general and administrative	**1,034,877**	1,045,772	988,131
Depreciation, depletion and amortization	**550,786**	484,939	419,808
Interest	**520,700**	513,948	562,247
Income taxes	**325,622**	103,911	128,329
	$ 9,482,829	$ 8,656,659	$ 8,295,839

7. Canadian Pacific Enterprises Limited – Expenses Including Income Taxes	1984	1983	1982
		(in thousands)	
Oil and Gas			
Cost of goods sold	**$ 217,407**	$ 192,533	$ 169,522
Selling, general and administrative	**34,235**	32,154	27,789
Depreciation, depletion and amortization	**135,545**	113,702	88,771
Interest	**21,694**	26,858	22,454
Income and revenue taxes	**346,448**	278,049	253,397
	755,329	643,296	561,933
Mines and Minerals			
Cost of goods sold	**1,274,552**	1,154,789	1,103,371
Distribution, selling, general and administrative	**349,573**	309,586	298,029
Depreciation, depletion and amortization	**133,817**	114,354	101,795
Interest	**99,102**	92,239	101,959
Income taxes	**7,614**	(21,159)	(27,753)
	1,864,658	1,649,809	1,577,401
Forest Products			
Cost of goods sold	**1,844,523**	1,651,550	1,455,813
Selling, general and administrative	**84,428**	88,238	86,439
Depreciation, depletion and amortization	**126,250**	109,922	93,034
Interest	**159,583**	153,803	175,852
Income taxes	**(13,386)**	(55,778)	(64,350)
	2,201,398	1,947,735	1,746,788
Iron and Steel			
Cost of goods sold	**2,516,181**	2,155,230	2,197,408
Selling, general and administrative	**341,679**	376,032	332,532
Depreciation, depletion and amortization	**112,903**	98,704	92,192
Interest	**139,077**	132,808	125,194
Income taxes	**(46,310)**	(142,935)	(62,657)
	3,063,530	2,619,839	2,684,669
Real Estate			
Operating expenses and cost of sales	**145,029**	145,382	128,801
Depreciation	**15,606**	14,183	12,135
Interest	**70,272**	68,966	61,108
Income taxes	**18,887**	19,341	22,454
	249,794	247,872	224,498
Agriproducts			
Cost of goods sold	**1,001,176**	985,501	912,885
Selling, general and administrative	**182,582**	170,890	164,079
Depreciation and amortization	**20,368**	18,257	17,291
Interest	**16,952**	17,376	18,178
Income taxes	**4,048**	14,178	6,231
	1,225,126	1,206,202	1,118,664
Other Businesses			
Operating expenses and cost of goods sold	**51,976**	223,104	229,524
Selling, general and administrative	**16,524**	46,241	47,014
Depreciation and amortization	**5,987**	15,588	14,349
Interest	**2,795**	9,733	9,935
Income taxes	**6,799**	12,962	11,270
	84,081	307,628	312,092

Financial			
General and administrative	**25,856**	22,631	32,249
Depreciation and amortization	**310**	229	241
Interest	**114,484**	111,235	119,877
Income taxes	**1,522**	(747)	(10,263)
	142,172	133,348	142,104
	9,586,088	8,755,729	8,368,149
Inter-segment eliminations	**(103,259)**	(99,070)	(72,310)
	$ 9,482,829	$ 8,656,659	$ 8,295,839

8. Interest Expense	**1984**	1983	1982
		(in thousands)	
Long term debt and debenture stock	**$ 647,377**	$ 620,154	$ 656,556
Short term debt	**90,240**	85,833	141,344
	737,617	705,987	797,900
Less: Interest capitalized on funds borrowed to finance capital projects	**39,456**	38,211	85,391
	$ 698,161	$ 667,776	$ 712,509

9. Income Taxes	**1984**	1983	1982
		(in thousands)	
Current	**$ 426,947**	$ 377,355	$ 189,608
Deferred	**91,010**	(115,501)	26,269
	$ 517,957	$ 261,854	$ 215,877
The deferred income tax provision arose as follows:			
Capital cost allowances	**$ 62,044**	$ (8,542)	$ 125,925
Exploration and development allowances	**44,599**	17,251	51,813
Loss carry forwards recognized	**(7,616)**	(130,397)	(150,733)
Other	**(8,017)**	6,187	(736)
	$ 91,010	$ (115,501)	$ 26,269
Income tax at the statutory tax rate may be reconciled to the effective tax as follows:			
Income tax at the statutory rate	**$ 518,870**	$ 187,054	$ 248,851
Depletion and resource allowances	**(103,836)**	(82,269)	(66,841)
Foreign tax differentials	**(9,405)**	7,437	(19,246)
Royalties and mineral reserve tax	**30,414**	27,986	22,695
Manufacturing and processing credits	**2,044**	16,033	13,208
Loss carry forwards not recognized	**24,190**	24,935	—
Investment tax credits	**(44,814)**	(20,628)	(25,243)
Other	**4,214**	25,741	(27,209)
Income taxes	**421,677**	186,289	146,215
Petroleum and gas revenue taxes	**96,280**	75,565	69,662
Income and revenue taxes as charged to income	**$ 517,957**	$ 261,854	$ 215,877

10. Other Inventories	**1984**	1983
	(in thousands)	
Raw materials	**$ 603,442**	$ 591,835
Work in progress	**266,041**	283,134
Finished goods	**589,002**	594,086
Stores and materials	**294,241**	277,128
	$ 1,752,726	$ 1,746,183

11. Investments	**1984**	1983
	(in thousands)	
Accounted for on the equity basis:		
AMCA International Finance Corporation (formerly Koehring Finance Corporation)	**$ 74,738**	$ 60,941
AMCA International Finance Company Limited	**10,076**	10,030
Aberfoyle Limited	**26,886**	29,790
Tahsis Company Ltd.	**—**	71,827
Tilden Iron Ore Partnership	**47,664**	44,429
Other	**63,800**	69,639
Accounted for on the cost basis:		
Panarctic Oils Ltd.	**41,725**	41,646
Tara Exploration and Development Company Limited	**—**	22,515
The Toronto Terminals Railway Company	**10,682**	10,682
Portfolio investments (approximate market value 1984 – $13,270,000; 1983 – $26,326,000)	**16,816**	23,161
Other	**114,822**	78,560
	$ 407,209	$ 463,220

12. Properties and Accumulated Depreciation, Depletion and Amortization

	1984			1983
	(in thousands)			
	Cost	Accumulated Depreciation, Depletion and Amortization	Net	Net
CP Rail	$ 4,448,451	$ 1,739,528	**$ 2,708,923**	$ 2,421,957
CP Air	1,558,644	503,622	**1,055,022**	1,002,432
CP Ships	873,205	267,417	**605,788**	569,924
CP Trucks	205,116	76,767	**128,349**	107,567
Soo Line Corporation	935,015	398,525	**536,490**	428,471
CP Telecommunications	328,540	165,285	**163,255**	159,647
Miscellaneous	36,403	10,481	**25,922**	25,501
Canadian Pacific Enterprises Limited				
Oil and Gas	2,546,105	755,312	**1,790,793**	1,643,500
Mines and Minerals	2,550,635	928,075	**1,622,560**	1,594,536
Forest Products	2,479,939	644,240	**1,835,699**	1,745,951
Iron and Steel	2,127,529	826,442	**1,301,087**	1,315,199
Real Estate	1,301,148	82,873	**1,218,275**	1,164,356
Agriproducts	334,632	138,048	**196,584**	197,594
Other Businesses	83,975	26,532	**57,443**	51,996
Financial	1,968	1,002	**966**	958
Total Enterprises	11,425,931	3,402,524	**8,023,407**	7,714,090
	$ 19,811,305	$ 6,564,149	**$ 13,247,156**	$ 12,429,589

13. Long Term Debt	1984	1983
	(in thousands)	
Canadian Pacific Limited		
8⅛% Collateral Trust Bonds due 1985	$ 33,000	$ 27,750
8½% Collateral Trust Bonds due 1989	4,597	5,021
9¾% Collateral Trust Bonds due 1989	56,087	51,575
8⅞% Collateral Trust Bonds due 1992	37,948	39,409
14⅝% Collateral Trust Bonds due 1992	99,000	93,172
10.35% Collateral Trust Bonds due 1994	63,188	50,295
11¼% Collateral Trust Bonds due 1995	49,718	52,298
8¼% – 14⅜% Equipment Trust Certificates due 1985-1993	230,205	213,458
12½% Retractable Debentures due 1999	99,000	—
Obligations under capital leases due 1985-1988	13,940	17,597
Bank loans and sundry borrowings due 1985-1989	42,999	75,152
Canadian Pacific Air Lines, Limited		
Bank loans and sundry borrowings due 1985-1997	369,275	367,690
8⅝% – 11⅜% First Mortgage Sinking Fund Bonds due 1992-1995	38,758	41,608
Instalment purchase contract due 1985-1996	155,775	—
Obligations under capital leases due 1985-1993	63,101	58,067
Canadian Pacific (Bermuda) Limited		
Mortgages due 1985-1988	31,821	50,628
8¼% Notes due 1984	—	29,613
Bank loans due 1985-1990	70,904	58,193
Canadian Pacific Steamships, Limited		
Obligations under capital leases due 1985-1988	14,663	25,496
Canadian Pacific Express & Transport Ltd.		
Bank loans due 1985-1989	31,294	16,100
Sundry – due 1985-1986	463	487
Soo Line Corporation		
7¼% – 13⅝% Equipment Trust Certificates due 1985-1996	93,216	89,441
Sundry – due 1985-2029	26,897	22,471
PanCanadian Petroleum Limited		
8⅛% – 16½% Debentures due 1985-1993	155,250	156,625
Cominco Ltd.		
Bank loans due 1985-1994	388,808	422,655
8½% – 10⅞% Sinking Fund Debentures due 1991-1995	91,711	95,645
Notes due 1985-1996	88,305	79,929
Subsidiaries of Cominco Ltd.	90,632	94,257
CIP Inc.		
Bank loans due 1987-1996	362,347	666,303
Sundry – due 1985-1996	76,159	24,064
Great Lakes Forest Products Limited		
Bank loans due 1985-1990	160,350	120,021
8% – 11¼% Sinking Fund Bonds due 1989-1995	37,832	39,266
8¾% Debentures due 1984	—	14,415
Sundry – due 1985-1989	9,831	13,927

The Algoma Steel Corporation, Limited		
Bank loans due 1985-1993	**111,466**	90,000
7⅜% – 17⅜% Sinking Fund Debentures due 1987-1997	**172,000**	191,800
Floating Rate Debenture due 1990	**132,170**	122,434
Floating Rate Income Debentures due 1994-1999	**112,868**	106,880
9.65% Note due 1985-2000	**42,295**	34,000
AMCA International Limited		
Bank loan due 1985-1998	**270,591**	264,929
8¼% – 12¼% Debentures due 1986-1999	**220,223**	184,454
Other notes payable due 1985-1997	**60,925**	63,054
Marathon Realty Company Limited		
Bank loans due 1985-1987	**127,613**	107,146
9½% – 17½% Sinking Fund Bonds due 1987-2003	**164,907**	168,281
Mortgages due 1985-2014	**363,297**	362,984
Sundry – due 1985-1991	**80,452**	79,799
Maple Leaf Mills Limited		
Bank loans due 1985-1991	**11,150**	10,000
8½% – 11⅝% Sinking Fund Debentures due 1988-1998	**43,899**	42,846
Sundry – due 1985-1988	**5,786**	7,824
Canadian Pacific Securities Limited		
Bank loan due 1984	**—**	2,140
8¼% – 9½% Debentures due 1990-1993	**57,083**	89,539
11⅞% – 17¾% Notes due 1986-1990	**308,779**	299,836
6⅜% – 7½% Guaranteed Notes due 1988	**162,127**	154,230
Other companies	**74,287**	41,641
	5,608,992	5,536,445
Less: Long term debt maturing within one year	**291,270**	423,795
	$ 5,317,722	$ 5,112,650

Collateral Trust Bonds of Canadian Pacific Limited are secured by a pledge of Perpetual 4% Consolidated Debenture Stock aggregating in principal amount $834,278,600 at December 31, 1984 (1983 – $702,725,000).

Of the aggregate bank loans of $2,044,708,000 included above, approximately $1,567,996,000 bear interest at rates which fluctuate with bank prime or money market rates.

At December 31, 1984, foreign currency long term debt, denominated principally in United States dollars, has, in accordance with the change in accounting policy for foreign currency translation, been translated at current rates of exchange. Use of current rates at December 31, 1983 would have resulted in long term debt being $109,878,000 more than the amount reported above.

Annual maturities and sinking fund requirements for each of the five years following 1984 are:
1985 – $291,270,000; 1986 – $336,241,000;
1987 – $653,442,000; 1988 – $787,405,000;
1989 – $645,677,000.

14. Perpetual 4% Consolidated Debenture Stock

Currency of Issue	1984 Sterling	1984 United States Dollar	1984 Canadian Dollar	1984 Total	1983 Total
	(in thousands)				
Issued	£ 46,757	$ 538,405	$ 209,384	**$ 992,084**	$ 995,274
Less: Pledged as collateral	—	473,405	209,384	**834,279**	702,725
	£ 46,757	$ 65,000	$ —	**$ 157,805**	$ 292,549

At December 31, 1984, the net amount outstanding has, in accordance with the change in accounting policy for foreign currency translation, been translated at current rates of exchange. Use of current rates at December 31, 1983 would have resulted in the net amount outstanding being $127,605,000 less than the amount reported above.

15. Minority Shareholders' Interest in Subsidiary Companies

	1984	1983
	(in thousands)	
Canadian Pacific Air Lines, Limited		
Floating rate preference shares, series A	**$ 50,000**	$ 50,000
Canadian Pacific (Bermuda) Limited	**3,611**	—
Soo Line Corporation	**163,752**	133,070
Canadian Pacific Enterprises Limited	**1,048,730**	876,156
PanCanadian Petroleum Limited	**158,035**	134,598
Cominco Ltd.		
$2.00 Tax deferred exchangeable preferred shares, series A	**42,146**	43,061
Floating rate preferred shares, series C	**50,000**	50,000
$3.25 Cumulative redeemable preferred shares, series D	**50,000**	50,000
Common share equity	**377,119**	366,254
Steep Rock Resources Inc.	**2,610**	2,531
CIP Inc.	**38,519**	24,782
Great Lakes Forest Products Limited	**150,226**	145,001
The Algoma Steel Corporation, Limited		
8% Tax deferred preference shares, series A	**44,608**	47,725
Floating rate preference shares	**80,000**	80,000
$2.00 Cumulative redeemable convertible class B preference shares	**95,000**	95,000
Common share equity	**236,801**	261,129
AMCA International Limited		
8.84% Cumulative redeemable retractable preferred shares	**75,000**	75,000
9.5% Cumulative redeemable convertible preferred shares	**100,000**	—
Common share equity	**217,350**	228,454
Other	**13,654**	11,594
	$ 2,997,161	$ 2,674,355

16. Deferred Income Credits

At December 31, 1984, Deferred Income Credits include approximately $120,100,000 (1983 – $36,000,000) from the Federal Government for the rehabilitation of certain western branch lines and approximately $43,500,000 (1983 – $41,000,000) from other bodies, mainly for relocation of railway lines. These amounts are being amortized to income on the same basis as the related fixed assets are being depreciated.

Deferred Income Credits also include approximately $97,000,000 (1983 – $107,000,000) covering payments received by PanCanadian Petroleum Limited (a subsidiary of Enterprises) for natural gas to be delivered at future dates. These payments are taken into income when the natural gas is delivered.

With the exception of some $61,000,000 received from the Federal Government, which at December 31, 1983, was included in Other Paid-in Surplus, all other amounts included in Deferred Income Credits were, prior to 1984, classified as Deferred Liabilities.

17. Shareholders' Equity

A Certificate of Continuance was issued on May 2, 1984, continuing the Corporation under the Canada Business Corporations Act. As a result of the continuance, each $5 share of ordinary stock now constitutes 1 Ordinary Share, each $3 and £1 of preference stock now constitutes 1 Canadian Dollar and 1 Sterling Preference Share respectively, and each issued preferred share now constitutes 1 Preferred Share, all without nominal or par value.

On February 11, 1985, the Corporation announced it would seek approval of its shareholders at the annual meeting to be held on May 1, 1985, to subdivide its ordinary and preference shares three for one and to amend its articles to provide for an unlimited number of ordinary shares.

Further to an announcement, also on February 11, 1985, of its plans to redeem all of its outstanding preferred shares as soon as practicable, the Corporation filed a notice of redemption dated February 22, 1985, calling for redemption on March 28, 1985. The redemption price is $10 per share together with accrued and unpaid dividends to the date of redemption. An analysis of preferred share balances remaining unredeemed is as follows:

	1984		1983		1982	
	Number	Amount	Number	Amount	Number	Amount
			(in thousands)			
Balance, January 1	**1,271**	**$ 12,709**	1,423	$ 14,231	1,660	$ 16,596
Purchased	**194**	**1,938**	152	1,522	237	2,365
Balance, December 31	**1,077**	**$ 10,771**	1,271	$ 12,709	1,423	$ 14,231
Total cost of shares purchased		**$ 1,926**		$ 1,479		$ 1,978

At December 31, 1984, Phenix Flour Limited (a wholly-owned indirect subsidiary of Canadian Pacific Enterprises Limited) held 11,000 Sterling and 275,125 Canadian Dollar preference shares in the Corporation at a total cost of $452,000.

Foreign Currency Translation Adjustments at December 31, 1984, consist of $124,575,000 arising from the translation of the accounts of foreign subsidiaries and $134,744,000 arising from the translation of Perpetual 4% Consolidated Debenture Stock.

18. Industry Segments	**1984**	1983	1982
		(in thousands)	
Identifiable assets			
CP Rail	**$ 3,269,839**	$ 2,883,906	$ 2,657,616
CP Air	**1,347,176**	1,137,129	931,319
CP Ships	**742,486**	695,805	722,829
CP Trucks	**193,430**	166,981	152,527
Soo Line Corporation	**757,277**	625,733	557,046
CP Telecommunications	**190,537**	186,289	193,286
Miscellaneous	**227,761**	190,714	193,544
Canadian Pacific Enterprises Limited			
Oil and Gas	**2,113,793**	1,907,200	1,776,930
Mines and Minerals	**2,344,695**	2,317,186	2,350,785
Forest Products	**2,565,442**	2,468,621	2,464,268
Iron and Steel	**3,204,781**	3,041,463	3,180,669
Real Estate	**1,275,264**	1,217,822	1,193,222
Agriproducts	**428,926**	452,318	370,538
Other Businesses	**99,259**	93,749	285,434
Financial	**1,034,221**	1,261,753	1,137,058
Eliminations	**(998,765)**	(1,044,720)	(894,037)
	$ 18,796,122	$ 17,601,949	$ 17,273,034
Capital expenditures			
CP Rail	**$ 429,570**	$ 363,039	$ 314,252
CP Air	**62,586**	57,570	230,419
CP Ships	**30,778**	43,253	91,883
CP Trucks	**38,168**	17,698	15,415
Soo Line Corporation	**38,310**	28,010	14,334
CP Telecommunications	**26,342**	22,380	34,167
Miscellaneous	**1,006**	1,127	863
Canadian Pacific Enterprises Limited			
Oil and Gas	**283,878**	222,495	278,797
Mines and Minerals	**152,506**	122,893	283,291
Forest Products	**91,736**	95,873	271,491
Iron and Steel	**60,909**	62,564	222,276
Real Estate	**105,889**	93,377	161,659
Agriproducts	**16,885**	24,231	25,147
Other Businesses	**4,253**	18,575	22,106
Financial	**281**	61	610
	$ 1,343,097	$ 1,173,146	$ 1,966,710

19. Geographic Segments	1984	1983	1982
		(in thousands)	
Canada			
Revenues			
Domestic	**$ 7,632,213**	$ 7,090,206	$ 6,408,992
Export – U.S.	**1,807,627**	1,389,151	1,426,317
– Other	**1,106,716**	881,787	844,079
International transportation revenues	**1,019,989**	927,504	894,365
Inter-area transfers	**258,698**	162,503	275,722
	11,825,243	10,451,151	9,849,475
Inter-company revenues	**(509,443)**	(478,179)	(485,225)
Total revenues	**11,315,800**	9,972,972	9,364,250
Net income before income taxes and minority interest	**988,319**	461,011	371,460
Net income	**$ 362,928**	$ 199,641	$ 151,732
Identifiable assets	**$ 15,545,323**	$ 14,741,882	$ 14,153,312
United States			
Revenues	**$ 2,869,899**	$ 2,330,482	$ 2,558,114
Inter-area transfers	**222,481**	154,747	193,595
Total revenues	**3,092,380**	2,485,229	2,751,709
Net income before income taxes and minority interest	**26,181**	(90,489)	50,428
Net income	**$ 28,861**	$ 310	$ 31,356
Identifiable assets	**$ 3,069,645**	$ 2,703,974	$ 2,720,199
Other Countries			
Revenues	**$ 367,930**	$ 383,707	$ 385,314
Inter-area transfers	**54,391**	26,413	94,814
Total revenues	**422,321**	410,120	480,128
Net income before income taxes and minority interest	**72,842**	75,864	110,663
Net income	**$ 8,720**	$ 17,620	$ 25,467
Identifiable assets	**$ 451,185**	$ 519,665	$ 570,731
International – Seagoing			
Revenues	**$ 340,164**	$ 234,639	$ 269,939
Net income before income taxes and minority interest	**(13,393)**	(76,912)	(20,182)
Net income	**$ (23,606)**	$ (73,979)	$ (20,261)
Identifiable assets	**$ 728,734**	$ 681,148	$ 722,829
Summary			
Revenues	**$ 15,170,665**	$ 13,102,960	$ 12,866,026
Inter-area transfers	**(535,570)**	(343,663)	(564,131)
Total revenues	**14,635,095**	12,759,297	12,301,895
Net income	**$ 376,903**	$ 143,592	$ 188,294
Identifiable assets	**$ 19,794,887**	$ 18,646,669	$ 18,167,071
Eliminations	**(998,765)**	(1,044,720)	(894,037)
	$ 18,796,122	$ 17,601,949	$ 17,273,034

20. Pensions

At December 31, 1984, there were unfunded liabilities, determined by actuarial evaluations, of $604,100,000, which is being funded by series of equal annual payments ending from 1985 to 2004, and $221,700,000, which is being funded by equal annual payments to 2027.

Pension expense, including current service costs and payments on account of unfunded liabilities, was $230,000,000 in 1984 (1983 – $232,000,000; 1982 – $247,000,000).

21. Commitments

At December 31, 1984, commitments for capital expenditures amounted to $728,000,000 and minimum payments under operating leases were estimated at $688,000,000 in the aggregate, with annual payments in each of the five years following 1984 of:

1985 – $117,000,000; 1986 – $98,000,000;
1987 – $83,000,000; 1988 – $68,000,000;
1989 – $50,000,000.

At December 31, 1984, unused commitments for long term financing amounted to $1,469,000,000 at interest rates varying with bank prime or money market rates, with commitment fees on $1,262,000,000 ranging from ⅛% to ½%.

Unused lines of credit for short term financing, subject to periodic review, repayable on demand and at various maturities up to 365 days, amounted to $1,482,000,000 on which interest rates vary with bank prime or money market rates.

22. Contingencies

The Corporation is a defendant in two actions brought by certain minority shareholders of Ontario and Quebec Railway Company, the railway of which the Corporation operates under a perpetual lease, alleging misuse of assets, breaches and termination of the perpetual lease, and claiming entitlement to the proceeds from the sale of Ontario and Quebec Railway Company's surplus lands and, in the alternative, substantial damages. The trial of these actions was concluded in December 1977 and the plaintiffs' actions succeeded in part. The Corporation appealed and the plaintiffs cross-appealed. On December 21, 1981, the Ontario Court of Appeal pronounced judgment allowing the Corporation's appeals, dismissing the plaintiffs' cross-appeals and substantially reversing the partial success that the plaintiffs had achieved at trial. The resulting judgments will not have any adverse effect on the financial condition of the Corporation. On June 22, 1982, the plaintiffs obtained leave to appeal to the Supreme Court of Canada from the judgments of the Court of Appeal and their appeals are expected to be heard in late March or April of this year. The Corporation believes that these appeals will not result in a judgment that will have a materially adverse effect on the financial condition of the Corporation.

On September 4, 1981, a representative of the holders of the consolidated debenture stock of the Ontario and Quebec Railway Company, who had been granted status by the Court as an intervenant in the above-mentioned appeal proceedings, commenced an action in the Supreme Court of Ontario on their behalf and on behalf of the minority shareholders of the Ontario and Quebec Railway Company against the Corporation, the Mercantile-Safe Deposit & Trust Company, and the Ontario and Quebec Railway Company seeking declarations respecting the ownership of rolling stock of the Corporation, a series of accounting proceedings relating to the rolling stock, a declaration that the Corporation's perpetual lease of the Ontario and Quebec Railway is void and damages. Counsel for the Corporation are of the opinion that this action can be successfully defended.

23. Acquisition

In 1982, AMCA International acquired all of the outstanding common shares of Giddings & Lewis, Inc., a U.S. company engaged in the design, manufacture and sale of machine tools, machine tool accessories and industrial products. The total cost of the acquisition amounted to $389,982,000, of which $105,712,000 was provided from cash on hand and the balance from a bank loan. This acquisition was accounted for as a purchase and consolidated from the date of acquisition.

24. Reclassifications

Certain prior years' figures have been reclassified to conform with the presentation adopted for 1984.

25. Supplementary Data

The discussion of Canadian and United States Accounting Principles included in Supplementary Data is an integral part of these financial statements.

The following data are provided to comply with certain disclosure requirements of the Securities and Exchange Commission (SEC) of the United States and recommendations of the Canadian Institute of Chartered Accountants.

Canadian and United States Accounting Principles

The consolidated financial statements of CP Limited have been prepared in accordance with generally accepted accounting principles (GAAP) in Canada, as promulgated by the Canadian Institute of Chartered Accountants. Over the years, a number of differences have developed between the accounting principles generally accepted in Canada and in the United States. For the information of the Corporation's United States shareholders, the major differences are described below and their effect on the Corporation's net income is summarized, their effect on the balance sheet not being significant.

The full cost method of accounting for Oil and Gas as promulgated by the SEC differs from the method followed by the Corporation in a number of respects. The primary differences are that Canadian GAAP permits capitalization of overhead which the SEC requires to be expensed and that Canadian GAAP permits the use of a world-wide full cost pool whereas the SEC requires that the cost centres be established on a country-by-country basis.

The method of recording income from land sales and gains on sale of income properties in proportion to proceeds realized and the sinking fund method of providing depreciation followed by the Real Estate segment in accordance with Canadian GAAP are not acceptable methods under United States GAAP. If United States accounting principles had been followed, income from land sales and gains on sale of income properties would have been recorded in total in the years that the transactions occurred and the straight-line method of depreciation would have been used.

Canadian GAAP permits deferred income tax balances to be carried forward on the balance sheet of an acquired company after a change in control, while United States GAAP requires such balances to be eliminated. Accordingly, when CIP was acquired, its deferred income tax balances were carried forward and since CIP recorded a loss in 1983 and 1982, the tax benefit of the loss carry forward has been recognized to the extent permissible under Canadian GAAP, by reducing deferred income taxes.

CP Limited follows the Canadian practice of deferring and amortizing unrealized gains and losses related to long term foreign currency assets and liabilities, whereas under United States GAAP such gains and losses are included in income immediately.

CP Rail, a department of CP Limited, expenses interest related to the construction of assets. Under United States GAAP such interest would be capitalized as part of the cost of the asset.

	1984	1983	1982	1981	1980
			(in thousands)		
Net income – Canadian GAAP	$ 376,903	$ 143,592	$ 188,294	$ 485,579	$ 583,157
Increased or (decreased) by:					
Oil and Gas	(8,884)	(7,438)	(10,802)	(7,236)	(3,620)
Real Estate	(6,365)	(6,104)	(3,742)	(3,902)	(1,847)
Deferred Income Taxes	6,505	(21,190)	(37,206)	—	—
Foreign Exchange	(31,655)	(10,144)	(40,102)	12,846	(1,132)
Interest during Construction	4,000	—	—	—	—
	(36,399)	(44,876)	(91,852)	1,708	(6,599)
Net income – United States GAAP	$ 340,504	$ 98,716	$ 96,442	$ 487,287	$ 576,558
Earnings per Ordinary Share:					
Canadian GAAP	$ 5.24	$ 1.98	$ 2.60	$ 6.75	$ 8.11
United States GAAP	4.73	1.36	1.32	6.78	8.02

Oil and Gas Reporting

The following information on oil and gas producing activities was prepared in accordance with Financial Accounting Standards Board Statement No. 69. PanCanadian Petroleum Limited, an indirect subsidiary of CP Limited, has prepared its financial statements utilizing the full cost method of accounting applied on a worldwide cost centre basis, in accordance with Canadian generally accepted accounting principles instead of in accordance with SEC full cost accounting requirements.

Oil and Gas Production, Exploration and Development (Unaudited)

Capitalized Costs	1984	1983
	(in thousands)	
Conventional petroleum and natural gas properties	$ 2,152,068	$ 1,882,848
Accumulated depletion and depreciation	670,913	557,842
	1,481,155	1,325,006
Other – net	309,638	318,494
	$ 1,790,793	$ 1,643,500

Costs Incurred in Conventional Oil and Gas Activities

Country	Property Acquisition	Exploration	Development
1984		(in thousands)	
Canada	$ 25,940	$ 124,021	$ 83,301
United States	11,174	13,493	11,905
Other	7	2,117	—
	$ 37,121	$ 139,631	$ 95,206
1983			
Canada	$ 21,406	$ 82,044	$ 77,247
United States	8,072	14,275	7,962
Other	45	1,881	—
	$ 29,523	$ 98,200	$ 85,209
1982			
Canada	$ 12,890	$ 62,959	$ 92,108
United States	8,991	16,366	12,758
Other	6	7,165	—
	$ 21,887	$ 86,490	$ 104,866

Results of Operations for Producing Activities (Unaudited)

PanCanadian's conventional oil and gas producing activities may be summarized as follows:

	Canada	United States	Total
1984		(in thousands)	
Gross operating revenue	$ 821,043	$ 26,618	$ 847,661
Operating expenses	92,111	3,836	95,947
Depreciation	35,023	1,130	36,153
	127,134	4,966	132,100
Net operating revenue	$ 693,909	$ 21,652	715,561
Depletion			77,066
Income and revenue taxes			336,365
			413,431
Income from operations			$ 302,130
1983			
Gross operating revenue	$ 680,518	$ 19,818	$ 700,336
Operating expenses	85,491	3,756	89,247
Depreciation	27,619	1,071	28,690
	113,110	4,827	117,937
Net operating revenue	$ 567,408	$ 14,991	582,399
Depletion			59,634
Income and revenue taxes			280,139
			339,773
Income from operations			$ 242,626
1982			
Gross operating revenue	$ 603,572	$ 17,611	$ 621,183
Operating expenses	76,629	2,754	79,383
Depreciation	23,008	1,027	24,035
	99,637	3,781	103,418
Net operating revenue	$ 503,935	$ 13,830	517,765
Depletion			53,713
Income and revenue taxes			241,482
			295,195
Income from operations			$ 222,570

The full cost method of accounting on a world-wide cost centre basis does not permit a meaningful segmentation of depletion. The income and revenue taxes relate to Canada only, as the United States operations are in a non-taxable position.

Oil and Gas Reserves (Unaudited)

PanCanadian's net proved reserves of conventional oil, natural gas and natural gas liquids as estimated by PanCanadian engineers are summarized below. "Net" reserves are the gross reserves underlying the properties in which PanCanadian has either a working interest, less all royalties and interests owned by others, or a royalty interest.

	Oil (including natural gas liquids) (thousands of barrels)			Gas (billion cubic feet)		
	Canada	United States	Total	Canada	United States	Total
Net proved reserves: December 31, 1981	103,791	678	104,469	2,456	17	2,473
Revisions of previous estimates	3,363	(5)	3,358	96	2	98
Extensions and discoveries	5,188	292	5,480	126	6	132
1982 Production	(12,244)	(218)	(12,462)	(113)	(2)	(115)
Net proved reserves: December 31, 1982	100,098	747	100,845	2,565	23	2,588
Revisions of previous estimates	7,717	92	7,809	138	(6)	132
Extensions and discoveries	9,264	490	9,754	116	5	121
1983 Production	(13,703)	(249)	(13,952)	(102)	(3)	(105)
Net proved reserves: December 31, 1983	103,376	1,080	104,456	2,717	19	2,736
Revisions of previous estimates	12,510	(268)	12,242	53	1	54
Extensions and discoveries	17,712	552	18,264	81	2	83
1984 Production	(15,579)	(380)	(15,959)	(120)	(4)	(124)
Net proved reserves: December 31, 1984	118,019	984	119,003	2,731	18	2,749

Proved reserves are those reserves which geological and engineering data demonstrate with reasonable certainty to be recoverable in the future at commercial production rates under present depletion methods and current operating conditions, prices and costs. Essentially all of PanCanadian's proved crude oil reserves are considered to be developed and recoverable through existing wells with existing facilities. In the case of PanCanadian's proved natural gas and associated liquids reserves, sufficient wells exist in most instances to meet required initial withdrawal rates from the respective reservoirs. As a result, the natural gas and natural gas liquids reserves are considered to be developed even though additional drilling will be required in certain cases to drain effectively the respective reservoirs in a desirable length of time.

Standardized Measure of Discounted Future Net Cash Flows (Unaudited)

The Financial Accounting Standards Board acknowledges that the standardized measure of discounted net cash flows cannot be considered an estimate of fair market value. The inclusion of this information should not be interpreted as indicating that PanCanadian believes that valid inferences as to the probable measure of fair market value or future economic position can be derived therefrom.

The standardized measure of discounted future net cash flows is set forth below:

	Canada	United States	Total
1984		(in thousands)	
Future cash inflows	$ 10,799,898	$ 112,928	$ 10,912,826
Future production and development costs	2,368,884	22,392	2,391,276
Future income tax expenses	3,200,187	—	3,200,187
Future revenue tax expenses	1,130,006	—	1,130,006
Future net cash flows	4,100,821	90,536	4,191,357
10% annual discount for estimated timing of cash flows	2,046,599	32,136	2,078,735
Standardized measure of discounted future net cash flows	$ 2,054,222	$ 58,400	$ 2,112,622
1983			
Future cash inflows	$ 10,925,117	$ 116,878	$ 11,041,995
Future production and development costs	2,862,877	25,713	2,888,590
Future income tax expenses	2,931,840	—	2,931,840
Future revenue tax expenses	1,162,600	—	1,162,600
Future net cash flows	3,967,800	91,165	4,058,965
10% annual discount for estimated timing of cash flows	2,153,365	30,676	2,184,041
Standardized measure of discounted future net cash flows	$ 1,814,435	$ 60,489	$ 1,874,924

Future net cash flows were computed using year-end prices and year-end statutory tax rates (adjusted for permanent differences) that relate to existing proved oil and gas reserves.

The following table sets out the principal sources of change in the standardized measure of discounted future net cash flows:	1984	1983	1982
		(in thousands)	
Standardized measure of discounted future net cash flows at beginning of year	$ 1,874,924	$ 1,987,630	$ 2,411,374
Add:			
Additions to proved reserves net of capital and production costs	388,442	131,268	126,521
Expenditures that reduced estimated future development costs	7,403	19,164	83,210
Accretion of discount	354,649	368,526	520,567
Revisions of previous estimates	680,238	149,832	646,197
Net changes in income and revenue taxes	—	74,108	799,418
	1,430,732	742,898	2,175,913
Deduct:			
Net changes in prices and production costs	199,377	244,399	2,058,285
Sales of oil and gas produced, net of production costs and mineral taxes	751,993	611,205	541,372
Net changes in income and revenue taxes	241,664	—	—
	1,193,034	855,604	2,599,657
Standardized measure of discounted future net cash flows at end of year	$ 2,112,622	$ 1,874,924	$ 1,987,630

Taxation of United States Shareholders

Under the terms of the Canadian Income Tax Act and the United States-Canada tax convention, taxable dividends paid to United States resident shareholders of CP Limited (other than tax exempt organizations) are subject to a Canadian withholding tax of 15%.

Generally, capital gains on the disposition by non-residents of securities issued by CP Limited are exempt from Canadian tax unless the securities are held in the conduct of a Canadian business.

Quarterly Financial Information (Unaudited)
Statement of Consolidated Income

	1984			
For the three months ended	March 31	June 30	September 30	December 31
	(in thousands)			
CP Rail				
Revenues	$ 598,181	$ 652,771	$ 655,897	$ 652,277
Expenses including income taxes	569,222	600,455	590,420	613,485
Net income	28,959	52,316	65,477	38,792
CP Air				
Revenues	247,211	300,165	372,563	314,257
Expenses including income taxes	261,227	297,156	350,197	308,398
	(14,016)	3,009	22,366	5,859
Preference dividend	795	826	924	913
Net income	(14,811)	2,183	21,442	4,946
CP Ships				
Revenues	78,312	88,093	83,500	90,259
Expenses including income taxes	86,550	93,061	87,814	92,767
	(8,238)	(4,968)	(4,314)	(2,508)
Minority interest	(912)	614	970	2,906
Net income	(7,326)	(5,582)	(5,284)	(5,414)
CP Trucks				
Revenues	89,865	93,330	93,840	96,343
Expenses including income taxes	90,722	92,817	92,030	94,739
Net income	(857)	513	1,810	1,604
Soo Line Corporation				
Revenues	108,058	96,192	115,036	111,066
Expenses including income taxes	101,933	94,172	105,287	105,801
	6,125	2,020	9,749	5,265
Minority interest	2,714	895	4,318	2,330
Net income	3,411	1,125	5,431	2,935
CP Telecommunications				
Revenues	41,517	43,004	42,051	42,475
Expenses including income taxes	39,745	40,903	39,684	40,641
Net income	1,772	2,101	2,367	1,834
Miscellaneous				
Net income	(8,521)	(11,340)	(7,515)	(6,897)
Transportation and Miscellaneous				
Net income	2,627	41,316	83,728	37,800
Canadian Pacific Enterprises Limited				
Revenues	2,367,128	2,565,490	2,410,866	2,512,573
Expenses including income taxes	2,313,566	2,454,438	2,333,454	2,381,371
	53,562	111,052	77,412	131,202
Minority interests	22,829	54,815	31,385	52,767
Net income	30,733	56,237	46,027	78,435
Net Income	$ 33,360	$ 97,553	$ 129,755	$ 116,235
Earnings per Ordinary Share	$ 0.46	$ 1.36	$ 1.80	$ 1.62

Quarterly Financial Information (Unaudited)
Statement of Consolidated Income

1983 For the three months ended	March 31	June 30	September 30	December 31
	(in thousands)			
CP Rail				
Revenues	$ 590,885	$ 617,175	$ 565,984	$ 655,628
Expenses including income taxes	533,897	567,825	539,808	604,173
Net income	56,988	49,350	26,176	51,455
CP Air				
Revenues	190,631	224,732	267,563	222,508
Expenses including income taxes	204,983	230,723	254,345	228,510
	(14,352)	(5,991)	13,218	(6,002)
Preference dividend	862	812	803	804
Net income	(15,214)	(6,803)	12,415	(6,806)
CP Ships				
Revenues	52,971	59,889	57,376	63,369
Expenses including income taxes	65,426	76,465	67,825	97,868
Net income	(12,455)	(16,576)	(10,449)	(34,499)
CP Trucks				
Revenues	75,835	80,894	87,845	89,353
Expenses including income taxes	76,068	80,394	85,866	85,703
Net income	(233)	500	1,979	3,650
Soo Line Corporation				
Revenues	84,762	85,172	103,764	100,435
Expenses including income taxes	82,887	83,937	97,484	88,889
	1,875	1,235	6,280	11,546
Minority interest	831	547	2,783	5,116
Net income	1,044	688	3,497	6,430
CP Telecommunications				
Revenues	38,376	39,304	39,605	40,222
Expenses including income taxes	36,948	37,768	38,029	38,343
Net income	1,428	1,536	1,576	1,879
Miscellaneous				
Net income	(2,250)	(4,749)	(5,148)	(5,927)
Transportation and Miscellaneous				
Net income	29,308	23,946	30,046	16,182
Canadian Pacific Enterprises Limited				
Revenues	1,887,651	2,212,344	2,154,254	2,397,990
Expenses including income taxes	1,898,202	2,219,415	2,161,225	2,377,817
	(10,551)	(7,071)	(6,971)	20,173
Minority interests	(13,424)	(11,807)	(17,896)	(5,403)
Net income	2,873	4,736	10,925	25,576
Net Income	$ 32,181	$ 28,682	$ 40,971	$ 41,758
Earnings per Ordinary Share	$ 0.44	$ 0.40	$ 0.57	$ 0.57

Quarterly Financial Information (Unaudited)
Canadian Pacific Enterprises Limited – Net Income

For the three months ended	1984 March 31	June 30	September 30	December 31
		(in thousands)		
Oil and Gas				
Gross operating revenue	$ 270,939	$ 251,053	$ 244,643	$ 288,723
Expenses including income and revenue taxes	193,865	179,864	178,541	203,059
	77,074	71,189	66,102	85,664
Interest of outside shareholders	9,958	9,198	8,540	11,068
Net income	67,116	61,991	57,562	74,596
Mines and Minerals				
Gross operating revenue	460,040	527,177	471,938	445,426
Expenses including income taxes	453,563	503,446	461,501	446,148
	6,477	23,731	10,437	(722)
Interest of outside shareholders	4,185	11,643	7,207	309
Net income	2,292	12,088	3,230	(1,031)
Forest Products				
Sales and operating revenue	509,624	551,568	575,056	563,083
Expenses including income taxes	539,109	557,726	575,848	528,715
	(29,485)	(6,158)	(792)	34,368
Interest of outside shareholders	(3,452)	146	141	10,883
Net income	(26,033)	(6,304)	(933)	23,485
Iron and Steel				
Sales and operating revenue	736,527	802,891	725,013	753,196
Expenses including income taxes	751,431	797,780	744,342	769,977
	(14,904)	5,111	(19,329)	(16,781)
Interest of outside shareholders	(1,634)	7,870	(7,032)	(6,065)
Net income	(13,270)	(2,759)	(12,297)	(10,716)
Real Estate				
Gross rentals and other income	66,274	66,273	71,278	73,745
Expenses including income taxes	61,986	58,232	60,663	68,913
	4,288	8,041	10,615	4,832
Interest of outside shareholders	84	96	111	162
Net income	4,204	7,945	10,504	4,670
Agriproducts				
Gross operating revenue	290,759	331,021	288,222	348,656
Expenses including income taxes	285,124	326,921	282,626	330,455
	5,635	4,100	5,596	18,201
Interest of outside shareholders	558	587	755	784
Net income	5,077	3,513	4,841	17,417
Other Businesses				
Gross operating revenue	22,178	23,111	22,090	25,866
Expenses including income taxes	20,495	20,918	20,460	22,208
Net income	1,683	2,193	1,630	3,658
Financial				
Gross operating revenue	35,261	38,364	39,234	40,087
Expenses including income taxes	32,467	35,519	36,081	38,105
Net income	2,794	2,845	3,153	1,982
Canadian Pacific Enterprises Limited – Net income	43,863	81,512	67,690	114,061
Preferred dividends	—	1,171	1,883	1,797
	43,863	80,341	65,807	112,264
Minority interest	13,130	24,104	19,780	33,829
Net Income	$ 30,733	$ 56,237	$ 46,027	$ 78,435

Quarterly Financial Information (Unaudited)
Canadian Pacific Enterprises Limited – Net Income

For the three months ended	March 31	June 30	September 30	December 31
	1983			
	(in thousands)			
Oil and Gas				
Gross operating revenue	$ 226,602	$ 207,823	$ 200,215	$ 249,747
Expenses including income and revenue taxes	160,419	154,334	146,579	181,964
	66,183	53,489	53,636	67,783
Interest of outside shareholders	8,551	6,911	6,929	8,758
Net income	57,632	46,578	46,707	59,025
Mines and Minerals				
Gross operating revenue	339,216	479,951	334,210	458,171
Expenses including income taxes	356,443	485,254	352,719	455,393
	(17,227)	(5,303)	(18,509)	2,778
Interest of outside shareholders	(8,172)	(1,149)	(6,116)	2,659
Net income	(9,055)	(4,154)	(12,393)	119
Forest Products				
Sales and operating revenue	400,333	462,761	480,542	488,541
Expenses including income taxes	441,403	494,048	502,581	509,703
	(41,070)	(31,287)	(22,039)	(21,162)
Interest of outside shareholders	(5,689)	(3,977)	(3,845)	(3,235)
Net income	(35,381)	(27,310)	(18,194)	(17,927)
Iron and Steel				
Sales and operating revenue	529,554	607,259	634,150	683,642
Expenses including income taxes	560,571	646,243	679,944	733,081
	(31,017)	(38,984)	(45,794)	(49,439)
Interest of outside shareholders	(9,994)	(16,198)	(20,254)	(25,362)
Net income	(21,023)	(22,786)	(25,540)	(24,077)
Real Estate				
Gross rentals and other income	66,636	62,544	72,333	72,570
Expenses including income taxes	57,568	58,370	65,588	66,346
	9,068	4,174	6,745	6,224
Interest of outside shareholders	82	96	101	71
Net income	8,986	4,078	6,644	6,153
Agriproducts				
Gross operating revenue	244,157	293,716	324,380	367,098
Expenses including income taxes	241,696	288,970	317,352	358,184
	2,461	4,746	7,028	8,914
Interest of outside shareholders	583	504	649	811
Net income	1,878	4,242	6,379	8,103
Other Businesses				
Gross operating revenue	70,976	87,755	100,303	63,876
Expenses including income taxes	72,215	83,288	90,034	62,091
Net income	(1,239)	4,467	10,269	1,785
Financial				
Gross operating revenue	34,587	35,642	35,249	36,770
Expenses including income taxes	32,297	34,015	33,556	33,480
Net income	2,290	1,627	1,693	3,290
Canadian Pacific Enterprises Limited – Net income	4,088	6,742	15,565	36,471
Minority interest	1,215	2,006	4,640	10,895
Net Income	$ 2,873	$ 4,736	$ 10,925	$ 25,576

Reporting the Effects of Changing Prices (Unaudited)

CICA Experiment on Effects of Changing Prices

Although for many years the accounting profession has grappled with the problem of developing techniques that will measure the impact of changing prices on an enterprise, *there is still no consensus as to what constitutes a proper approach to the problem and as to whether the various techniques developed, when applied, result in information that has any practical usefulness.*

It is against this background that Canada's largest public companies have been invited by the Canadian Institute of Chartered Accountants (CICA) to produce, by way of experiment, supplementary information about the effects of changing prices. While the Corporation has decided to participate in the experiment, it believes that application of the computational techniques prescribed by the CICA results in data that are of limited value.

The CICA itself concedes that application of its recommendations to oil and gas, mining and forest products operations is not always practicable and may not yield meaningful data. Furthermore, in recognition of the difficulties involved, the CICA decided that income producing real estate and insurance operations, among others, should be exempted from its recommendations. Consequently, the results and assets of Marathon Realty Company and Chateau Insurance Company are included at their historical cost amounts.

Information about Effects of Changing Prices

In preparing information about the effects of changing prices on inventories and properties, it was assumed, in accordance with the CICA's recommendations, that the Corporation's level of operations existing at year end would be maintained through replacement with like assets at current prices. In reality, decisions regarding whether or not assets will be replaced and the manner of replacement will be made in the light of future economic, regulatory, technological and competitive conditions. It must not be assumed, therefore, that the Corporation's operating capability will be maintained in the form and manner assumed in developing the CICA data. It must not also be assumed that the CICA approach, which implies that assets are being renewed as they are consumed, reflects the Corporation's asset replacement policy. Assets, if they are to be replaced, will be replaced at intervals which may be lengthy and when revenue levels are likely to support replacement costs.

The assumption that operating capability will be maintained is particularly questionable in the context of the Corporation's natural resource activities. Oil and gas wells and mines are unique in terms of location, ground conditions and potential and when depleted they cannot be specifically replaced. Even if new reserves in existing quantities could be found, the current cost of finding such reserves would be difficult to determine.

For rate regulated enterprises such as CP Air and CNCP Telecommunications, rate levels are limited to the recovery of historical costs and cannot provide for the higher current costs of replacing existing assets. Consequently, to compare revenues based on historical costs against inventory and fixed asset charges based on current replacement prices is not totally meaningful.

It should be noted that, in accordance with the CICA's recommendations, income taxes as reported in the Corporation's audited financial statements have not been restated in computing income on the recommended current cost basis. To call for hypothetical increases to depreciation, cost of goods sold and operating expenses resulting from inflation without giving recognition to a hypothetical reduction in income taxes may, in the Corporation's opinion, significantly overstate the impact of higher prices on an enterprise.

It should also be noted that the new CICA data were necessarily developed on the basis of assumptions and subjective estimates that are not verifiable and the adoption of different, but equally valid, assumptions could produce materially different results.

Bases for Determining Current Costs

A variety of methods was used to determine the current cost of properties, including published indices, manufacturers' prices, appraisal values and engineering estimates. Because there is no generally accepted method for measuring the current cost of replacing existing oil, gas and mineral reserves, estimates of the current cost of petroleum, natural gas and mining properties have been compiled by application of indices (including the Consumer Price Index) to historical costs. However, because the activities and, therefore, the costs required to replace existing reserves are unpredictable, application of indices to historical costs results in current cost estimates that may be grossly misstated.

The current cost of inventories was estimated based on current suppliers' prices, recent manufacturing costs and published price indices.

Statement of Consolidated Income on a Current Cost Basis Assuming Maintenance of Existing Operating Capability
for the Year ended December 31

	1984	1983
	(in thousands)	
Net income, historical cost basis	$ 376,903	$ 149,840
Adjustments to reflect changes in current costs:		
Cost of goods sold and operating expenses	75,837	40,944
Depreciation, depletion and amortization	694,464	728,493
Gains on disposal of properties	17,128	18,408
	787,429	787,845
Less: Minority interests	246,827	230,093
	540,602	557,752
Net income on a current cost basis	(163,699)	(407,912)
Financing adjustment	246,400	257,853
Net income attributable to common shareholders on a current cost basis	$ 82,701	$ (150,059)
The provision for income taxes of $518 million (1983 – $273 million) has not been adjusted from the amount reflected in the Corporation's audited financial statements. If the adjustments to reflect changes in current costs were recognized for tax purposes, the reduction in the Corporation's income tax expense would result in the net income attributable to common shareholders being approximately	$ 314,500	$ 123,400

The 1983 comparative figures have been restated to dollars of 1984 average purchasing power.

The Corporation's income on a current cost basis, which has been prepared in accordance with, and which reflects the inherent limitations of the experimental techniques prescribed by the CICA, is below historical cost income. This is primarily due to significantly higher charges (1984 – $694 million; 1983 – $728 million) for depreciation, depletion and amortization. Included in the higher depreciation charges, however, are estimated amounts totalling $159 million (1983 – $170 million) for oil and gas and mining operations – activities for which the CICA experiment has little relevance.

On the assumption that the Corporation will continue to use a combination of debt and equity to finance its operations, the financing adjustment provides a measure of the extent to which common shareholders will be shielded from the higher costs of replacing inventories and properties. The CICA recommendations require that the financing adjustment, which reflects the portion of current cost increases financed through net borrowings, be shown on two bases. The adjustment of some $246 million (1983 – $258 million) which is reflected in the Corporation's current cost income attributable to common shareholders is based on the total increase in current costs during the year. If the financing adjustment had been based on current cost adjustments to income, it would have amounted to some $155 million (1983 – $157 million).

Schedule of Consolidated Assets on a Current Cost Basis
as at December 31

	1984 Historical Cost Basis	1984 Current Cost Basis	1983 Current Cost Basis
		(in thousands)	
Inventories	$ 1,989,093	$ 2,052,643	$ 2,127,55
Properties (net)	13,247,156	25,688,462	25,849,67
Net Assets (common shareholders' equity)	4,497,302	13,820,319	14,058,67

Net assets on a current cost basis consist of common shareholders' equity on an historical cost basis, plus the difference (net of minority shareholders' interest) between the current and historical cost of inventories and properties.

The 1983 comparative figures have been restated to dollars of 1984 year-end purchasing power.

Other Supplementary Information
for the Year ended December 31

	1984	1983
	(in thousands)	
Increase in the current cost amounts of inventories and properties	$ 1,254,852	$ 1,302,135
Effect of general inflation	950,353	1,151,219
Excess of increase in current cost over the effect of general inflation	$ 304,499	$ 150,916
Gain in general purchasing power from having net monetary liabilities	$ 264,400	$ 324,900

The 1983 comparative figures have been restated to dollars of 1984 average purchasing power.

Included under Other Supplementary Information are additional data called for by the CICA. The increase in the current cost amounts of inventories and properties, less the effect of general inflation, indicates that during 1984 the value of the Corporation's assets, measured in current costs, increased at a higher rate than the rate of general inflation as measured by the Consumer Price Index.

The gain in general purchasing power from having net monetary liabilities represents the benefit to the Corporation from financing part of its operations with debt which, because of inflation, has declined in real terms.

Reserve Data

The CICA requires certain quantity disclosures for companies with interests in mineral and oil and gas reserves.

The disclosures covering oil and gas reserves are included as supplementary data under Oil and Gas Reporting.

Major Proven and Probable Ore Reserves

	Dec. 31 1982	Changes during the Year: Production	Discoveries	Revisions	Dec. 31 1983	Changes during the Year: Production	Discoveries	Revisions	Dec. 31 1984
	(in thousands of short tons)								
Cominco Ltd.									
Sullivan, Pine Point (69.1% owned), Polaris, Black Angel (62.5% owned) and Magmont Mines (50% owned)	102,400	(6,000)	12,200	(8,800)	99,800	(8,000)	10,000	(1,900)	99,900
Con-Rycon Mine	2,100	(209)	171	(162)	1,900	(244)	159	(115)	1,700
Buckhorn Mine	—	—	5,100	—	5,100	(194)	194	(2,000)	3,100
Valley Mine	500,000	(7,900)	—	16,900	509,000	(9,300)	116,300	—	616,000
Warm Springs Mine	7,300	(188)	588	—	7,700	(210)	110	—	7,600
Vade Mine	155,000	(3,353)	—	353	152,000	(3,800)	1,600	200	150,000
Fording Coal Limited									
Fording River Operations	238,800	(3,100)	—	1,300	237,000	(4,400)	—	6,300	238,900
Thermal Coal	2,133,000	(4,200)	—	(72,000)	2,056,800	(5,500)	—	(81,300)	1,970,000
The Algoma Steel Corporation, Limited									
Wawa Mine	50,702	(1,270)	—	(4,092)	45,340	(1,414)	—	56	43,982
Tilden Mine (30% owned)	81,249	(1,346)	—	—	79,903	(1,796)	—	—	78,107
Cannelton Mines									
Metallurgical Coal	186,300	(1,716)	—	225	184,809	(1,740)	—	(43,173)	139,896
Thermal Coal	80,000	(520)	—	(396)	79,084	(1,052)	—	17,225	95,257

The reserve and production quantities listed for the associated companies of Cominco represent the full amounts and not Cominco's share. The reserve and production quantities for the Tilden Mine represent Algoma's share only.

The reserve and production quantities included above for Cominco are stated in tons of ore, while the quantities for Algoma are stated in product tons of sinter (48% iron) and pellets (65% iron) at the Wawa and Tilden mines respectively. The reserve and production quantities noted for Fording Coal, and Algoma's Cannelton Mines, are stated in short tons of cleaned coal.

Fording currently receives only a royalty from the production of its thermal coal reserves.

Total expenditures on exploration for minerals in the year 1984 amounted to $42,000,000.

Mineral Content of Reserves and Production

		Minerals Contained in Reserves, December 31: 1984	1983	Production during year (tons are short tons)
Cominco Ltd.				
Sullivan, Pine Point, Polaris, Black Angel and Magmont Mines	Lead	4.0%	4.1%	380,800 tons (concentrate)
	Zinc	7.6%	7.6%	833,400 tons (concentrate)
	Silver (Sullivan and Black Angel only)	1 oz. per ton	1 oz. per ton	
Buckhorn Mine	Gold	0.04 oz. per ton	0.04 oz. per ton	3,100 oz.
Con-Rycon Mine	Gold	0.42 oz. per ton	0.44 oz. per ton	89,100 oz.
Valley Mine	Copper	0.47%	0.475%	41,700 tons (contained metal)
Warm Springs Mine	P_2O_5	30.0%	30.0%	210,000 tons (phosphate rock)
Vade Mine	K_2O	25.3%	25.3%	1,361,100 tons (concentrate)

Five-Year Summary

	1984	1983	1982	1981	1980
	(Figures in thousands, except amounts per share)				
Revenues	**$14,635,095**	$12,759,297	$12,301,895	$12,336,266	$ 9,984,546
Net income from:					
CP Rail	**$ 185,544**	$ 183,969	$ 117,873	$ 127,168	$ 121,595
CP Air	**13,760**	(16,408)	(39,214)	(22,781)	2,853
CP Ships	**(23,606)**	(73,979)	(20,261)	42,734	50,126
CP Trucks	**3,070**	5,896	1,551	5,466	(1,527)
Soo Line Corporation	**12,902**	11,659	13,639	23,008	23,076
CP Telecommunications	**8,074**	6,419	5,103	4,936	4,955
Miscellaneous	**(34,273)**	(18,074)	3,603	18,041	19,132
Canadian Pacific Enterprises Limited	**211,432**	44,110	106,000	287,007	362,947
Net income	**$ 376,903**	$ 143,592	$ 188,294	$ 485,579	$ 583,157
Total assets	**$18,796,122**	$17,601,949	$17,273,034	$16,330,185	$13,038,501
Total long term debt	**$ 5,608,992**	$ 5,536,445	$ 5,538,691	$ 4,647,637	$ 2,997,437
Perpetual 4% Consolidated Debenture Stock	**157,805**	292,549	292,549	292,549	292,549
Minority shareholders' interest in subsidiary companies	**2,997,161**	2,674,355	2,586,591	2,477,342	2,251,899
Shareholders' equity	**4,522,943**	4,052,571	3,990,981	3,929,369	3,523,186
Total capitalization	**$13,286,901**	$12,555,920	$12,408,812	$11,346,897	$ 9,065,071
Per Ordinary Share:					
Net income	**$ 5.24**	$ 1.98	$ 2.60	$ 6.75	$ 8.11
Dividends for the year	**1.40**	1.40	1.65	1.90	1.85

Number of Ordinary shares remained unchanged at 71,662,280.

Geographic Distribution of Net Property Investment

at December 31, 1984	Properties, at Cost less Depreciation	Percent of Total
Canada	(in millions)	
Atlantic Provinces	**$ 334**	3
Quebec	**1,116**	8
Ontario	**2,802**	21
Manitoba	**246**	2
Saskatchewan	**419**	3
Alberta	**2,034**	15
British Columbia	**1,999**	15
N.W.T., Yukon & Offshore	**348**	3
Transportation Equipment	**1,588**	12
	10,886	82
Outside Canada		
United States	**1,671**	13
Other	**114**	1
Ocean Ships	**576**	4
	2,361	18
Total	**$ 13,247**	100

Ordinary Share Market Prices

	Toronto Stock Exchange				New York Stock Exchange			
	1984		1983		**1984**		1983	
	High	Low	High	Low	High	Low	High	Low
	(Canadian dollars)				(U.S. dollars)			
First Quarter	**53⅝**	**42¼**	44½	35¼	**42⅞**	**33**	36¼	28½
Second Quarter	**44⅝**	**38¼**	50	42⅛	**34¾**	**29⅝**	40¾	34⅛
Third Quarter	**48¼**	**37⅛**	51¾	43¾	**37⅛**	**28⅛**	42	35¾
Fourth Quarter	**50⅛**	**45**	53¼	46⅝	**38**	**34¼**	42⅞	37¾
Year	**53⅝**	**37⅛**	53¼	35¼	**42⅞**	**28⅛**	42⅞	28½

Stock and Share Transfer Agents

The Royal Trust Company
1660 Hollis Street,
Halifax, N.S. B3J 1V7;

Brunswick House,
1 King Street,
Saint John, N.B. E2L 1G1;

630 Dorchester Boulevard West,
Montreal, Quebec H3B 1S6;

Royal Trust Tower,
Toronto-Dominion Centre,
Toronto, Ontario M5W 1P9;

330 St. Mary Avenue,
Winnipeg, Manitoba R3C 3Z5;

1862 Hamilton Street,
Regina, Saskatchewan S4P 2B8;

700 The Dome Tower,
Toronto-Dominion Square,
333 - 7th Avenue S.W.,
Calgary, Alberta T2P 2Z1;

Royal Trust Tower,
Bentall Centre One,
505 Burrard Street,
Vancouver, B.C. V7X 1R5.

Bank of Montreal Trust Company
2 Wall Street,
New York, N.Y. 10005.

**Deputy Secretary,
Canadian Pacific Limited**
50 Finsbury Square,
London, England EC2A 1DD.

Stock and Share Listings

Debenture Stock (Sterling) listed on:
London, Eng. Stock Exchange

Debenture Stock (U.S. Currency) listed on:
New York Stock Exchange

Preference Shares (Sterling) listed on:
Montreal, Toronto, Vancouver and London, Eng. Stock Exchanges

Preference Shares (Canadian Dollar) listed on:
Montreal, Toronto, Vancouver and London, Eng. Stock Exchanges

7¼% Cumulative Redeemable Preferred Shares, Series A listed on:
Montreal, Toronto, Vancouver and London, Eng. Stock Exchanges

Ordinary Shares listed on:
Montreal, Toronto, Vancouver, New York and London, Eng. Stock Exchanges.

Share Holdings

The number of registered holdings of the voting shares of the Corporation at December 31, 1984 was 47,093.

The distribution by countries of total voting rights of the Ordinary and Preference Shares at that date was as follows:

Canada	77.57%
United States	15.07
United Kingdom	2.52
Other Countries	4.84
	100.00%

Shareholders having inquiries or wishing to obtain copies of the Corporation's non-consolidated (parent company) financial statements or its Form 10-K filed with the Securities and Exchange Commission should write to:

D.J. Deegan,
Secretary,
Canadian Pacific Limited,
P.O. Box 6042, Station A,
Montreal, Quebec,
Canada H3C 3E4

Board of Directors

Lloyd I. Barber, O.C., Ph.D.,
President,
University of Regina, Regina

***F.S. Burbidge,**
Chairman and Chief Executive Officer,
Canadian Pacific Limited, Montreal

James W. Burns,
President, Power Corporation of Canada, Montreal

***Robert W. Campbell,**
Chairman and Chief Executive Officer, Canadian Pacific Enterprises Limited, Calgary

***Paul Desmarais, O.C.,**
Chairman and Chief Executive Officer, Power Corporation of Canada, Montreal

C.A. Fielding,
Honorary Chairman and Chief Executive Officer, Alexander Centre Industries Limited, Sudbury

Allard Jiskoot,
Director and Former Chairman of the Board,
Pierson, Heldring & Pierson N.V., Amsterdam, The Netherlands

A.S. Kingsmill, Q.C.,
Partner, Law firm of Tilley, Carson & Findlay, Toronto

Donald C. Matthews,
President and General Manager, Highland Stock Farms Ltd., Calgary

***W. Earle McLaughlin, O.C.,**
Director and Former Chairman of the Board, The Royal Bank of Canada, Montreal

Stanley A. Milner,
President and Chief Executive Officer, Chieftain Development Co. Ltd., Edmonton

†J.H. Moore,
Corporate director, Former Chairman of the Board, John Labatt Limited, London, Ontario

William D. Mulholland,
Chairman and Chief Executive Officer, Bank of Montreal, Toronto

***Paul L. Paré, O.C.,**
Chairman and Chief Executive Officer, Imasco Limited, Montreal

The Rt. Hon. Lord Polwarth, T.D., D.L.,
Director, Bank of Scotland, Edinburgh, Scotland

***†Claude Pratte, Q.C.,**
Partner, Law firm of Stein, Monast, Pratte & Marseille, Quebec

†Lucien G. Rolland, O.C.,
Chairman and Chief Executive Officer, Rolland inc., Montreal

A.M. Runciman, O.C.,
Former President, United Grain Growers Limited, Winnipeg

Thomas G. Rust,
Chairman of the Board, Crown Forest Industries Limited, Vancouver

F.H. Sherman,
Chairman and Chief Executive Officer, Dofasco Inc., Hamilton

***W.W. Stinson,**
President, Canadian Pacific Limited, Montreal

Jean Casselman Wadds, O.C.,
Commissioner, Royal Commission on the Economic Union and Development Prospects for Canada, Ottawa

***Ray D. Wolfe, C.M.,**
Chairman and Chief Executive Officer, The Oshawa Group Limited, Toronto

*Member of the Executive Committee
†Member of the Audit Committee

Officers

F.S. Burbidge,
Chairman and Chief Executive Officer, Montreal

W.W. Stinson,
President, Montreal

Corporate Services

J.C. Anderson,
Vice-President Personnel, Montreal

J.P.T. Clough,
Vice-President Finance and Accounting, Montreal

Donald S. Maxwell, Q.C.,
Vice-President Law and General Counsel, Montreal

J.A. McDonald,
Vice-President Industry Relations, Montreal

R.T. Riley,
Vice-President Corporate, Montreal

I.B. Scott,
Vice-President Administration and Public Affairs, Montreal

G.F. Sekely,
Vice-President Computers and Communications, Toronto

D.J. Deegan,
Secretary, Montreal

D.E. Sloan,
Treasurer, Toronto

J. Thomson,
Comptroller, Montreal

Directorate

At the Annual and Special General Meeting of Shareholders held on May 2, 1984, The Hon. Ian D. Sinclair, O.C., Q.C. and Mr. Kenneth A. White retired, having attained the age limit for directors as prescribed in the Corporation's by-laws. Senator Sinclair's retirement as a director marked the completion of a distinguished forty-two year career with Canadian Pacific during which he rendered outstanding service and leadership on the Board and the Executive Committee and as the most senior executive officer of the Corporation. Mr. White was appointed a director in 1974 and was a member of the Audit Committee for nine years. The directors desire to record their recognition of the notable contributions to the affairs of the Corporation made by these retiring members.

Mr. A.S. Kingsmill, Q.C. was elected a director to replace Senator Sinclair and Mrs. Jean Casselman Wadds, O.C. was elected a director to replace Mr. White. Mr. Clifford A. Fielding was appointed a director on August 13, 1984 to replace The Rt. Hon. John N. Turner, P.C., Q.C. who tendered his resignation as a director of the Corporation effective June 30, 1984.

Copies of the following 1984 annual reports can be obtained by writing to:

Canadian Pacific Enterprises Limited
Vice-President Administration and Secretary
Canadian Pacific Enterprises Limited
Suite 2300
125-9th Avenue S.E.
Calgary, Alberta T2G 0P6

Canadian Pacific Air Lines, Limited
Secretary
Canadian Pacific Air Lines, Limited
One Grant McConachie Way
Vancouver International Airport
British Columbia V7B 1V1

Si vous désirez vous procurer la version française du présent rapport, veuillez vous adresser au secrétaire, Canadien Pacifique Limitée, C.P. 6042, succursale A, Montréal, Québec, Canada H3C 3E4

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Canadian Pacific Limited

Management Proxy Statement March 11, 1985

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Canadian Pacific Limited

Notice of Annual Meeting of Shareholders

Notice is hereby given that the 104th Annual Meeting of Shareholders of Canadian Pacific Limited (the Corporation) will be held on Wednesday, May 1, 1985, at The Palliser Hotel, 9th Avenue and 1st Street South West, Calgary, Alberta, Canada, at 11:00 a.m., Calgary time, for the following purposes:

(a) to receive the Report of the Directors, the accompanying Consolidated Financial Statements and Report of the Auditors thereon, for the year ended December 31, 1984;

(b) to elect directors;

(c) to appoint auditors;

(d) to consider and, if thought advisable, to pass a special resolution to amend the articles of continuance of the Corporation to subdivide its Ordinary Shares and its Preference Shares on a three-for-one basis and to make certain consequential amendments to the said articles. The text of this special resolution is set out on page 16 of the accompanying Proxy Statement which forms part of this notice;

(e) to consider and, if thought advisable, to pass a special resolution to amend the articles of continuance of the Corporation to change the maximum number of Ordinary Shares that the Corporation is authorized to issue from 100,000,000 to an unlimited number. The text of this special resolution is set out on page 21 of the accompanying Proxy Statement which forms part of this notice;

(f) to transact such other business as may properly come before the meeting.

The Board of Directors has specified that proxies to be used at the Annual Meeting of Shareholders or an adjournment thereof must be deposited with the Corporation at Montreal, Quebec, Canada, not later than 11:59 p.m., Montreal time, Monday, April 29, 1985.

By order of the Board of Directors,
D.J. Deegan, Secretary.
Montreal, March 11th, 1985.

NOTE:
If you are unable to attend the meeting in person, please complete and return the enclosed form of proxy in the envelope provided.

Canadian Pacific Limited

Registered Office: 910 Peel Street, P.O. Box 6042, Station A, Montreal, Quebec, Canada H3C 3E4

Management Proxy Statement
for Annual Meeting of Shareholders, Wednesday, May 1, 1985, at Calgary, Alberta, Canada.

Approximate date proxy material first sent to shareholders: March 29, 1985.

Solicitation of Proxies

This Proxy Statement is furnished in connection with the solicitation by the management of Canadian Pacific Limited (the Corporation) of proxies for use at the Annual Meeting of Shareholders of the Corporation to be held at the time and place and for the purposes set forth in the foregoing notice of meeting or any adjournment thereof. The cost of solicitation will be borne by the Corporation. The solicitation will be primarily by mail. However, certain officers and employees of the Corporation may also solicit proxies by telephone or in person and the firm of Hill & Knowlton, Inc. has been engaged to solicit proxies from brokers, banks and nominees by mail, by telephone or in person in the United States at a cost of $10,000 plus out-of-pocket expenses.

Appointment of Proxyholders and Revocation of Proxies

A vote at all meetings of shareholders of the Corporation may be given in person or by proxy whether or not the proxyholder is a shareholder.

A shareholder giving a proxy has the right under subsection 142(4) of the Canada Business Corporations Act (CBCA) to revoke the proxy (1) by instrument in writing executed by the shareholder or by the shareholder's attorney authorized in writing and deposited either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the chairman of the meeting on the day of the meeting, or any adjournment thereof or (2) in any other manner permitted by law.

Voting Shares as Specified

Shares represented by properly executed proxies in favour of the persons designated in the printed portion of the enclosed form of proxy will be voted or withheld from voting on any ballot that may be called for and, where the shareholder specifies a choice with respect to any matter to be acted upon, such shares will be voted in accordance with any specification so made. **In the absence of such specification, such shares will be voted for the election of directors, the appointment of auditors and the passing of special resolutions to amend the articles of the Corporation to subdivide its Ordinary and Preference Shares and to make certain consequential amendments and to change the authorized number of Ordinary Shares.**

Exercise of Discretion by Proxyholders

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting and with respect to other matters which may properly come before the meeting. At the date of this Proxy Statement, the management of the Corporation knows of no such amendments, variations or other matters to come before the meeting.

Voting Securities

On March 11, 1985, there were outstanding 71,662,280 Ordinary Shares, 3,846,397 Canadian Dollar Preference Shares and 864,923 Sterling Preference Shares, the holders of which are entitled to one vote for each share held. The holders of both the Ordinary and the Preference Shares are entitled to vote together at the Annual Meeting, giving a total entitlement of 76,373,600 votes. The Board of Directors has fixed the close of business on March 20, 1985, as the record date for the purpose of determining shareholders entitled to receive notice of the meeting but the failure of any shareholder of the Corporation to receive a notice of a meeting of shareholders of the Corporation does not deprive the shareholder of a vote at the meeting. If a person has acquired shares after the record date, that person is entitled to vote those shares at the meeting upon producing properly endorsed share certificates, or otherwise establishing share ownership, and demanding the inclusion of his or her name in the list of shareholders not later than 10 days before the date of the meeting.

Principal Holders of Voting Securities

As of March 11, 1985, except for the shares deemed to be beneficially owned by Messrs. Paul Desmarais, James W. Burns (see footnote (1) to the following table) and Clifford A. Fielding (see footnote (2) to the following table), each director and nominee for election as director and the other directors and officers as a group did not beneficially own in excess of 1% of any class of voting securities of the Corporation or any of its subsidiaries.

As of March 11, 1985, the only persons known to the directors or officers of the Corporation to be the beneficial owners of more than 5% of any class of its voting securities are as follows:

Title of class	Name and address of beneficial owner	Amount and nature of beneficial ownership	Percent of class
Ordinary Shares	Caisse de dépôt et placement du Québec, 1981, avenue McGill College, Montréal, Québec H3A 3C7	7,109,400 shares Has sole voting and investment powers	9.92
Ordinary Shares	Power Corporation of Canada, 759 Victoria Square, Montreal, Quebec H2Y 2K4	8,223,284 shares See footnote (1)	11.48
Preference Shares	Alexander Centre Industries Limited, (a privately owned company), Sudbury, Ontario	568,553 Sterling shares 2,693,990 Canadian Dollar shares See footnote (2) page 3	69.25
Preference Shares	Phenix Flour Limited, (a wholly-owned indirect subsidiary of Canadian Pacific Enterprises Limited of Calgary, Alberta), 3800 Notre Dame St. East, Montreal, Quebec H1W 2J8	11,000 Sterling shares 275,125 Canadian Dollar shares Has sole voting and investment powers	6.07

Footnotes

(1) At March 11, 1985 Power Corporation of Canada (Power) owned directly 3,368,200 Ordinary Shares, or 4.70% of the class, as to which it is deemed to have sole voting and investment powers and of which it is deemed to be the beneficial owner under regulations of the United States Securities and Exchange Commission. At the same date, Power controlled or had substantial interests in companies which owned or held or controlled 615,800 Ordinary Shares, or 0.86% of the class, as to which Power is deemed under such regulations to have sole voting and investment powers and of which it is deemed to be the beneficial owner, and 4,239,284 Ordinary Shares, or 5.92% of the class, as to which Power is deemed to share voting and investment powers and of which it is also deemed to be the beneficial owner. At the same date, companies which Power controlled or in which it had substantial interests also owned or held or controlled shares in subsidiaries of the Corporation, as to which Power is deemed to share (except where otherwise indicated) voting and investment powers and of which it is deemed to be the beneficial owner, as follows:

Canadian Pacific Limited subsidiary	Common shares	Percent of class
Canadian Pacific Enterprises Limited	*1,623,746	1.05
The Algoma Steel Corporation, Limited	1,470,183	10.22
AMCA International Limited	1,214,702	3.66
Cominco Ltd.	3,041,895	4.73
Pine Point Mines Limited	105,385	2.33
Vestgron Mines Limited	95,522	2.26
Great Lakes Forest Products Limited	156,125	3.22
Corporate Foods Limited	51,000	1.63
Eastern Bakeries Limited	5,420	0.49
PanCanadian Petroleum Limited	875,100	0.70
Steep Rock Resources Inc.	355	—

*(includes 45,000 shares, or 0.03% of the class, as to which Power is deemed to have sole voting and investment powers)

Principal Holders of Voting Securities (continued)

Except for the 3,368,200 shares of the Corporation owned directly by Power, the boards of directors of the companies which Power controls or in which it has substantial interests, and which are The Investors Group, The Great-West Life Assurance Company, Montreal Trustco Inc., Consolidated-Bathurst Inc., Gesca Ltée, and their respective subsidiaries and pension funds, in fact exercise sole voting and investment powers with respect to the shares of the Corporation and its subsidiaries owned or held or controlled by them, and Power disclaims beneficial ownership of any shares not owned by it directly.

Mr. Paul Desmarais, O.C., a director of the Corporation, is Chairman and Chief Executive Officer and controlling stockholder of Power, and is deemed under regulations of the United States Securities and Exchange Commission to be the beneficial owner of all shares of the Corporation and its subsidiaries of which Power is deemed to be the beneficial owner; Mr. Desmarais disclaims beneficial ownership of any shares not owned by Power directly. Mr. James W. Burns, also a director of the Corporation, is President and a director of Power and may also be deemed under the same regulations to be the beneficial owner of all the shares of the Corporation and its subsidiaries of which Power is deemed to be the beneficial owner; Mr. Burns disclaims beneficial ownership of any such shares.

An agreement dated December 15, 1981 between the Corporation, Power and Mr. Desmarais limits to 15% the voting shares of the Corporation that may be held by the Power group of companies and Mr. Desmarais. Under the agreement, the Power group will vote its beneficially owned shares of the Corporation in accordance with the recommendations of the Board of Directors of the Corporation, except in certain circumstances which do not cover the matters identified in the foregoing Notice to Shareholders. The agreement extends until December 31, 1991, subject to early termination options which arise in certain situations. The agreement allows Power to increase its holdings beyond the 15% only if a take-over bid is made for the Corporation or if another shareholder acquires more than 10% of the voting shares of the Corporation. In the case of another shareholder acquiring more than 10%, Power's increased holdings together with those of other members of the Power group are limited to 5% more than the holdings of such other shareholder. Mr. Desmarais and Mr. Burns were nominated as directors of the Corporation in 1982 and 1983, respectively, pursuant to that agreement.

(2) Alexander Centre Industries Limited (Alexander) also owns 184,822 Ordinary Shares. Management has been informed that more than 50% of the voting securities of Alexander is owned by Mr. Clifford A. Fielding, Sudbury, Ontario, a director of the Corporation, and that the balance of the voting securities of Alexander is owned by his spouse, Mrs. Lily Fielding and trusts established for his six grandchildren. In addition to the Ordinary Shares and the Preference Shares owned by Alexander, management has been informed that Mr. Fielding's spouse, Mrs. Lily Fielding; his son Malcolm James Fielding and his spouse, Shirley Anne Fielding; his daughter, Brenda Elaine Wallace and her spouse, James Duncan Wallace; his six grandchildren and trusts established for them; and three bodies corporate which are, Waters Holding Corporation Limited, Alexander Transport Limited and Northern Ski Company Limited, the shares of which are owned by Mr. Fielding and/or members of his family, own an aggregate of 526,395 Ordinary Shares, 257,435 Canadian Dollar Preference Shares and 73,012 Sterling Preference Shares.

Election of Directors

The terms of the following six directors will expire at the forthcoming Annual Meeting of Shareholders: A.S. Kingsmill, Q.C., Donald C. Matthews, Stanley A. Milner, The Rt. Hon. Lord Polwarth, T.D., D.L., Claude Pratte, Q.C. and W.W. Stinson. At that time, A.M. Runciman, O.C. will retire, having attained the age limit for directors as prescribed in By-law No. 1 (the General By-law), thus creating a vacancy on the Board.

The Board of Directors consists of a minimum of three and a maximum of 24 directors. The number of directors is 23 as fixed by the directors in accordance with the General By-law. Under the General By-law, which came into effect upon the Corporation's continuance under the CBCA in 1984, each director is to be elected to hold office for a term commencing at the close of the annual meeting of shareholders at which he is elected and ending at the close of the third annual meeting of shareholders following his election. To effect the transition from the previous cycle of four years to a cycle of three years, the General By-law provides that, of the directors to be elected at the first annual meeting following continuance, at least one-third shall be elected for a term expiring at the close of the third annual meeting of shareholders following their election, at least one-third for a term expiring at the close of the second such annual meeting, and the remainder for a term expiring at the close of the first such annual meeting. Therefore, the following nominations will be made: Messrs. Kingsmill, Milner and Pratte will be nominated for re-election for a term of three years; Mr. Matthews and Mr. Stinson for a term of two years; Mr. C. Douglas Reekie as a replacement for Mr. Runciman will be nominated for election as a director for a term of two years; and Lord Polwarth will be nominated for re-election for a term of one year. The management does not contemplate that any of the nominees

Election of Directors (continued)

will be unable to serve as directors but, if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy intend to vote for another nominee selected by management.

Information as of March 11, 1985 as to the aforementioned seven nominees and the directors continuing in office is as follows:

Name of director (For committee memberships and meeting attendance, see footnotes page 8)	Principal occupation or employment	Date on which present or proposed term of office expires Director since Age	Canadian Pacific Limited (CPL) Ordinary Shares owned of record and beneficially as directors' qualifying shares Equity securities of CPL or its subsidiaries, beneficially owned other than CPL directors' qualifying shares	Certain other directorships and relationships required to be reported by the U.S. Securities and Exchange Commission (see footnotes page 8) and major offices held in significant affiliates (†CPL subsidiaries)
Director nominated for re-election for one year term				
*The Rt. Hon. Lord Polwarth, T.D., D.L.	Director, Bank of Scotland, Edinburgh, Scotland.	May 7, 1986 1975 68	2,000 Nil	Director of $\boxed{1}$ Halliburton Company
Nominee for election as director for two year term				
C. Douglas Reekie	President and Chief Executive Officer, CAE Industries Ltd., Toronto, a holding and management company.	May 6, 1987 60	2,000 1,383 C.P. Enterprises Limited Common Shares 2,000 Cominco Ltd. $2.00 Tax Deferred Exchangeable Preferred Shares Series A 1,500 PanCanadian Petroleum Limited Common Shares	Director of $\boxed{1}$ †C.P. Enterprises Limited $\boxed{1}$ †AMCA International Limited †Marathon Realty Company Limited
Directors nominated for re-election for two year term				
Donald C. Matthews	President and General Manager, Highland Stock Farms Ltd., Calgary, cattle breeding.	May 6, 1987 1975 66	2,000 100 CPL Ordinary Shares £1,378 CPL Perpetual 4% Consolidated Debenture Stock (owned by Mr. Matthews' spouse, as to all of which he disclaims beneficial ownership) 750 Cominco Ltd. Common Shares (includes 600 shares owned by Highland Stock Farms Ltd.)	Nil
W.W. Stinson 1 3	President, Canadian Pacific Limited, Montreal.	May 6, 1987 1981 51	2,000 1,630 CPL Ordinary Shares 837 C.P. Enterprises Limited Common Shares 300 Cominco Ltd. Common Shares 100 Great Lakes Forest Products Limited Common Shares 100 PanCanadian Petroleum Limited Common Shares	Director of $\boxed{1}$ †C.P. Enterprises Limited †Cominco Ltd. †Great Lakes Forest Products Limited †Marathon Realty Company Limited †PanCanadian Petroleum Limited $\boxed{1}$ †Soo Line Corporation
Directors nominated for re-election for three year term				
A.S. Kingsmill, Q.C.	Partner, Law firm of Tilley, Carson & Findlay, Toronto.	May 4, 1988 1984 57	2,000 2,398 C.P. Enterprises Limited Common Shares 100 AMCA International Limited Common Shares	Partner of $\boxed{3}$ $\boxed{4}$ Tilley, Carson & Findlay

Election of Directors (continued)

Name of director (For committee memberships and meeting attendance, see footnotes page 8)	Principal occupation or employment	Date on which present or proposed term of office expires Director since Age	Canadian Pacific Limited (CPL) Ordinary Shares owned of record and beneficially as directors' qualifying shares Equity securities of CPL or its subsidiaries, beneficially owned other than CPL directors' qualifying shares	Certain other directorships and relationships required to be reported by the U.S. Securities and Exchange Commission (see footnotes page 8) and major offices held in significant affiliates (†CPL subsidiaries)
Director nominated for re-election for three year term (continued)				
Stanley A. Milner	President and Chief Executive Officer, Chieftain Development Co. Ltd., Edmonton, engaged in petroleum and natural gas exploration and development.	May 4, 1988 1980 56	2,000 7,000 CPL Ordinary Shares	Director [1] Banister Continental Ltd. Director, President and Chief Executive Officer of [1] Chieftain Development Co. Ltd.
Claude Pratte, Q.C. ① ② ③	Partner, Law firm of Stein, Monast, Pratte & Marseille, Quebec.	May 4, 1988 1970 60	2,000 11,167 CPL Ordinary Shares 110,000 C.P. Enterprises Limited Common Shares 323 The Algoma Steel Corporation, Limited Common Shares 330 AMCA International Limited Common Shares	Partner of [3] Stein, Monast, Pratte & Marseille Director of †CIP Inc.
Directors continuing in office after the meeting				
Lloyd I. Barber, O.C., Ph.D.	President, University of Regina, Regina.	May 7, 1986 1983 53	2,000 Nil	Director of [1] The Bank of Nova Scotia [1] Husky Oil Ltd.
F.S. Burbidge ① ③	Chairman and Chief Executive Officer, Canadian Pacific Limited, Montreal.	May 4, 1988 1971 66	2,000 4,665 CPL Ordinary Shares 4,783 C.P. Enterprises Limited Common Shares 630 Cominco Ltd. Common Shares 500 AMCA International Limited Common Shares 400 PanCanadian Petroleum Limited Common Shares	Director of [1] †C.P. Enterprises Limited [1] †AMCA International Limited †Cominco Ltd. †Marathon Realty Company Limited †PanCanadian Petroleum Limited [1] †Soo Line Corporation
James W. Burns	President, Power Corporation of Canada, Montreal, a holding and management corporation.	May 6, 1987 1983 55	2,000 (For list of voting securities that may be deemed to be beneficially owned by Mr. Burns, see footnote (1) page 2)	Director of [1] Genstar Corporation
Robert W. Campbell ① ③	Chairman and Chief Executive Officer, Canadian Pacific Enterprises Limited, Calgary, (CPL subsidiary) a diversified international business enterprise.	May 7, 1986 1982 62	2,000 505 C.P. Enterprises Limited Common Shares 101 The Algoma Steel Corporation, Limited Common Shares 250 AMCA International Limited Common Shares 330 Cominco Ltd. Common Shares 100 Great Lakes Forest Products Limited Common Shares 13,760 PanCanadian Petroleum Limited Common Shares	Director, Chairman and Chief Executive Officer of [1] †C.P. Enterprises Limited Chairman of the Board and Director †PanCanadian Petroleum Limited Director of †The Algoma Steel Corporation, Limited [1] †AMCA International Limited †Cominco Ltd. †Great Lakes Forest Products Limited [1] Westinghouse Electric Corporation

Election of Directors (continued)

Name of director (For committee memberships and meeting attendance, see footnotes page 8)	Principal occupation or employment	Date on which present or proposed term of office expires / Director since / Age	Canadian Pacific Limited (CPL) Ordinary Shares owned of record and beneficially as directors' qualifying shares / Equity securities of CPL or its subsidiaries, beneficially owned other than CPL directors' qualifying shares	Certain other directorships and relationships required to be reported by the U.S. Securities and Exchange Commission (see footnotes page 8) and major offices held in significant affiliates (†CPL subsidiaries)
Directors continuing in office after the meeting (continued)				
Paul Desmarais, O.C. ① ③	Chairman and Chief Executive Officer, Power Corporation of Canada, Montreal, a holding and management corporation.	May 7, 1986 1982 58	2,000 1,000 C.P. Enterprises Limited Common Shares (For list of voting securities deemed to be beneficially owned by Mr. Desmarais, see footnote (1) page 2)	Director of 1 †C.P. Enterprises Limited 1 The Seagram Company Ltd.
C.A. Fielding	Honorary Chairman and Chief Executive Officer, Alexander Centre Industries Limited, Sudbury, Ontario, supplier of construction material and construction.	May 4, 1988 1984(**) 69	2,000 12,000 CPL Ordinary Shares 11,500 CPL Canadian Dollar Preference Shares 3,000 CPL Sterling Preference Shares (For list of voting securities deemed to be beneficially owned by Mr. Fielding, see footnote (2) page 3)	Nil
*Allard Jiskoot	Director and Former Chairman of the Board, Pierson, Heldring & Pierson N.V., Amsterdam, The Netherlands, bankers.	May 6, 1987 1964 66	2,000 3,000 CPL Ordinary Shares	Director of 1 N.V. Philips Glowlamps
W. Earle McLaughlin, O.C. ① ③ ④	Director and Former Chairman of the Board, The Royal Bank of Canada, Montreal.	May 6, 1987 1965 69	2,000 3,000 CPL Ordinary Shares 19,864 C.P. Enterprises Limited Common Shares 245 The Algoma Steel Corporation, Limited Common Shares 1,000 The Algoma Steel Corporation, Limited $2 Cumulative Redeemable Convertible Class B Preference Shares Series 1 500 AMCA International Limited Common Shares	Director of 1 †C.P. Enterprises Limited †The Algoma Steel Corporation, Limited 1 General Motors Corporation 1 Genstar Corporation 1 Nabisco Brands, Inc.
J.H. Moore ②	Corporate director, Former Chairman of the Board, John Labatt Limited, London, Ontario, investment holding company.	May 6, 1987 1972 69	2,000 1,700 CPL Ordinary Shares 4,400 C.P. Enterprises Limited Common Shares 3,600 PanCanadian Petroleum Limited Common Shares (except for 3,000 C.P. Enterprises Limited Common Shares, all other shares reported above are owned by trusts for the benefit of Mr. Moore's sister of which he is a trustee, as to all of which he disclaims beneficial ownership)	Director of 1 Bell Canada Enterprises Inc. 1 Bell Canada 1 Northern Telecom Limited
William D. Mulholland	Chairman and Chief Executive Officer, Bank of Montreal, Toronto.	May 4, 1988 1983 58	2,000 1,000 CPL Ordinary Shares	Director of 1 The Upjohn Company 1 Harris Bankcorp. Inc.

Election of Directors (continued)

Name of director (For committee memberships and meeting attendance, see footnotes page 8)	Principal occupation or employment	Date on which present or proposed term of office expires / Director since / Age	Canadian Pacific Limited (CPL) Ordinary Shares owned of record and beneficially as directors' qualifying shares / Equity securities of CPL or its subsidiaries, beneficially owned other than CPL directors' qualifying shares	Certain other directorships and relationships required to be reported by the U.S. Securities and Exchange Commission (see footnotes page 8) and major offices held in significant affiliates (†CPL subsidiaries)
Directors continuing in office after the meeting (continued)				
*Paul L. Paré, O.C. ① ③	Chairman and Chief Executive Officer, Imasco Limited, Montreal, a parent operating company with tobacco, food services and retail divisions.	May 7, 1986 1973 62	2,000 4,000 C.P. Enterprises Limited Common Shares	Director of 1 †C.P. Enterprises Limited †CIP Inc. 2 Canadian Fund Inc.
Lucien G. Rolland, O.C. ② ④	Chairman and Chief Executive Officer, Rolland inc., Montreal, manufacturer and distributor of fine papers.	May 7, 1986 1962 68	2,000 3,200 CPL Ordinary Shares (includes 200 shares owned by Mr. Rolland's spouse, as to all of which he disclaims beneficial ownership) 25 C.P. Enterprises Limited Common Shares	Director of 1 Bell Canada Enterprises Inc. 1 Inco Limited 2 Canadian Fund Inc.
Thomas G. Rust ④	Chairman of the Board, Crown Forest Industries Limited, Vancouver, engaged in the manufacture, sale and worldwide distribution of pulp, paper, newsprint, lumber, plywood and other products.	May 7, 1986 1977 65	2,000 Nil	Director of 1 The Bank of Nova Scotia
F.H. Sherman	Chairman and Chief Executive Officer, Dofasco Inc., Hamilton, basic steel producer — engaged in production of hot rolled steels, skelp, plate, tin plate, cold rolled, galvanized and electrical steels, steel castings, pig iron.	May 6, 1987 1973 68	2,000 364,000 AMCA International Limited Common Shares (144,000 shares are owned by Dofasco Supplementary Retirement Savings Plan of which he is one of five trustees and 220,000 shares are owned by Dofasco Employees' Savings and Profit Sharing Fund of which he is one of four trustees, as to all of which he disclaims beneficial ownership)	Director of 1 The Bank of Nova Scotia
Jean Casselman Wadds, O.C.	Commissioner, Royal Commission on the Economic Union and Development Prospects for Canada, Ottawa.	May 4, 1988 1984 64	2,000 Nil	Director of 1 Bell Canada
Ray D. Wolfe, C.M. ① ③	Chairman and Chief Executive Officer, The Oshawa Group Limited, Toronto, engaged in the merchandising of food, non-food and drugs.	May 4, 1988 1972 67	2,000 5,911 CPL Ordinary Shares (includes 1,500 shares owned by a Canadian registered charitable foundation of which Mr. Wolfe is a director, as to all of which he disclaims beneficial ownership) 10,000 C.P. Enterprises Limited Common Shares	Director of 1 †C.P. Enterprises Limited 1 The Bank of Nova Scotia

Footnotes on page 8

Election of Directors (continued)

Footnotes

Committee members are identified in the above column as follows	Committee	Number of meetings in 1984
①	Executive	14
②	Audit	4
③	Nominating	2
④	Compensation	1
	Board of Directors	12

*attended fewer than 75% of Board and committee meetings on which he served

All directors have been associated with the firm, corporation or institution shown in the foregoing table during the past five years except Robert W. Campbell, who became Vice-Chairman of Canadian Pacific Enterprises Limited on February 5, 1982, Vice-Chairman and Chief Executive Officer on April 29, 1982 and Chairman and Chief Executive Officer on April 27, 1984 and, for more than 5 years prior thereto, was Chairman and Chief Executive Officer of PanCanadian Petroleum Limited, a subsidiary of the Corporation.

F.S. Burbidge was President of Canadian Pacific Limited from May 3, 1972 to May 5, 1981; William D. Mulholland was President and Chief Executive Officer of the Bank of Montreal from January 1979 to the end of June 1981; Lucien G. Rolland was Chairman, President and Chief Executive Officer of Rolland inc. from June 20, 1984 to February 6, 1985; Thomas G. Rust was Chairman of the Board, President and Chief Executive Officer of Crown Forest Industries Limited (formerly Crown Zellerbach Canada Limited) from September 1982 to February 1984; F.H. Sherman was President and Chief Executive Officer of Dofasco Inc. (formerly Dominion Foundries and Steel Limited) and Chief Executive Officer in 1982; Jean Casselman Wadds was High Commissioner for Canada to the United Kingdom from November 1979 to February 1983; Ray D. Wolfe was Chairman of the Board, President and Chief Executive Officer of The Oshawa Group Limited from 1977 until October 1983.

(**) C.A. Fielding was a director of the Corporation from April 1970 to October 1971.

1. Subject to requirements of Sections 12 or 15 (d) of the United States Securities Exchange Act of 1934.
2. Registered as an investment company under the United States Investment Company Act of 1940.
3. Law firm which CPL has retained in the last full fiscal year.
4. To which CPL and subsidiaries paid for property or services in 1984 in excess of 5% of the consolidated gross revenues of payee firm or corporation (for additional information, see section entitled Certain Transactions, page 13)

Pursuant to Securities and Exchange Commission regulations, a brief description of the functions of the Audit, Nominating and Compensation Committees of the Board of Directors is given below.

Audit Committee

The Audit Committee reviews the financial statements of the Corporation before they are submitted to the Board of Directors for approval. The Audit Committee discusses with the independent auditors the scope of their examination, monitors progress of the independent audit and ensures the adequacy of accounting controls. The Audit Committee recommends to the Board the name of the independent auditors of the Corporation and the audit fees to be paid annually. The Audit Committee also reviews the scope and results of the Corporation's internal audit function.

Nominating Committee

In the event of a vacancy occurring on the Board of Directors or on a Committee of the Board, however caused, the Nominating Committee recommends to the Board a person or persons to fill any such vacancy. The Nominating Committee also considers and recommends to the Board the slate of directors to be nominated for election at any Annual Meeting of Shareholders. The Committee will consider nominees recommended by shareholders and such recommendations may be forwarded to the Secretary at the address shown for the registered office of the Corporation appearing on page 1 of this Proxy Statement.

Compensation Committee

The Compensation Committee considers and recommends to the Board remuneration levels for directors and senior management and compensation or other such plans in which directors or officers may be eligible to participate. In addition, the Committee monitors benefits under compensation or other such plans and deals with other matters as directed by the Board from time to time.

Exchange

All dollar amounts recorded herein are expressed in Canadian dollars. The exchange rate between the Canadian dollar and the U.S. dollar is not fixed. During 1984, The Bank of Canada noon rate ranged between $1.2450 Canadian equals $1 U.S. and $1.3347 Canadian equals $1 U.S., and averaged $1.2948 Canadian equals $1 U.S.

Executive Compensation

The following table shows all cash compensation paid in 1984 or to be paid in respect of the year 1984 by the Corporation and its subsidiaries for services in all capacities to each of the five most highly compensated executive officers of the Corporation and certain subsidiaries, as to whom the total compensation required to be disclosed herein by the U.S. Securities and Exchange Commission rules exceeded $60,000 and to all executive officers as a group.

Name of individual or number in group	Capacities in which served	Cash compensation			
		Canadian Pacific Limited	Canadian Pacific Enterprises Limited	Other subsidiaries	Total
F.S. Burbidge	As an executive officer of the Corporation and as a director of certain subsidiaries	$ 528,987	$ 19,000	$ 47,184	$ 595,171
W.W. Stinson	As an executive officer of the Corporation and as a director of certain subsidiaries	331,464	11,500	36,687	379,651
R.S. Allison	As an executive officer of the Corporation and as a director of certain subsidiaries	213,530	—	17,975	231,505
D.S. Maxwell, Q.C.	As an executive officer of the Corporation and as a director of a subsidiary	188,408	—	14,300	202,708
R.W. Campbell	As an executive officer of a subsidiary and as a director of the Corporation and certain subsidiaries	33,600	484,050	59,834	577,484
All executive officers as a group (including the five above named: 27)	As executive officers and as executive officers and directors	$3,962,643	$514,550	$192,000	$4,669,193

The aggregate amount of other compensation received by all executive officers as a group did not exceed $125,000.

The following table shows, for various salary levels, the personal income taxes and resulting after tax salary in 1984 for a Quebec resident who is married and has no other dependants.

Gross salary	Federal and provincial taxes	After tax salary
$595,000	$345,113	$249,887
575,000	333,033	241,967
470,000	269,613	200,387
380,000	215,253	164,747
230,000	124,653	105,347
200,000	106,533	93,467
175,000	91,433	83,567
150,000	76,333	73,667
125,000	61,233	63,767
100,000	46,133	53,867

Executive Compensation (continued)

Variable Compensation Payments Plans

Executive officers of the Corporation participate in a Variable Compensation Payments Plan, pursuant to which the Compensation Committee of the Board of Directors fixes, annually, a performance objective for each participant based upon the appropriate annual profit plan. The Committee also fixes, for each participant, a target payment level, ranging from 10% to 30% of annual base salary, which may be paid if the performance objective is met. In an exceptional year, target payment levels may be augmented by amounts up to 50% of the level originally fixed. Awards are paid in cash as soon as possible following the end of the year. No payments were made under the Plan in respect of 1984.

Under the Variable Compensation Payments Plan of Canadian Pacific Enterprises Limited (CPEL), a subsidiary of the Corporation, the Compensation Committee of CPEL's Board of Directors fixes, annually, an amount which designated executives may receive as additional compensation. This amount ranges generally from 12½% to 30% of annual base salary. The award entitlement in each year, payable in cash in the subsequent year, is based on CPEL's planned net income being attained. If the planned net income is exceeded, the payments may be increased by an amount up to 50% of the original percentage fixed. Mr. R.W. Campbell, a director of the Corporation and an officer of CPEL, is entitled to receive a payment under that Plan in 1985 for 1984 and the amount is included in the preceding compensation table.

Compensation of Directors

For the calendar year 1984 the Board authorized for each director other than those directors who are salaried officers of the Corporation the same compensation paid in 1982 and 1983 comprising a basic retainer of $10,000 for each director, an additional retainer of $5,000 for each member of the Executive Committee, an additional retainer of $1,000 for the Chairman of the Audit Committee, a fee of $600 for each director for each meeting of the Board attended and a fee of $600 for each member for each meeting of the Executive, Audit, Compensation, Nominating, Pension Trust Fund and Management Resources Committees attended.

Pension Plan

The Corporation maintains a contributory, defined benefit pension plan pursuant to which pensions are paid to eligible officers and employees of the Corporation at retirement. Under the plan, pensions are paid at the normal retirement age of 65, based upon pensionable earnings (wages or salary) and credited years of service up to a maximum of 35 as follows:

Pension Table

Estimated annual pension income payable at retirement
(See footnote (2) for pensionable earnings and credited years of service of named executive officers)

Best consecutive or final five-year average pensionable earnings	Credited years of service				
	15	20	25	30	35
$150,000	$ 43,244	$ 57,776	$ 72,776	$ 87,776	$102,776
200,000	58,244	77,776	97,776	117,776	137,776
250,000	73,244	97,776	122,776	147,776	172,776
300,000	88,244	117,776	147,776	177,776	207,776
350,000	103,244	137,776	172,776	207,776	242,776
400,000	118,244	157,776	197,776	237,776	277,776
450,000	133,244	177,776	222,776	267,776	312,776

Footnotes on page 11

Footnotes

(1) Benefits arising from the pension plan are based on pensionable salary only and not on any fees, directors' fees, commissions, bonuses, or salary beyond normal retirement.

(2) Pensionable earnings during 1984 and credited years of service at the end of 1984 for executive officers named in the compensation table were as follows: Mr. Stinson $306,075 and 31 5/12 years and Mr. Allison $195,900 and 35 years. Mr. Burbidge's pension was fixed at $209,898.48 per year upon his reaching normal retirement age in 1983. Messrs. Campbell and Maxwell do not participate in the Corporation's Pension Plan (see the second paragraph following these footnotes).

(3) The amount of the contribution, payment or accrual made by the Corporation for the year 1984 for officers, individually or as a group, is not and cannot readily be separately or individually calculated by the Corporation's actuaries.

(4) Benefit amounts listed in the above pension table are payable during the lifetime of the pensioner and, at a reduced level, during the lifetime of the surviving spouse and are not subject to any deduction for Canada Pension Plan or Quebec Pension Plan income.

Officers and certain management and supervisory employees who defer their retirement beyond age 65 at the request of the Corporation will be paid monthly by the Corporation, upon retirement, a supplementary allowance of 1% of his or her monthly basic pension entitlement multiplied by the number of months such employee defers his or her retirement beyond age 65. Two persons among the above group of 27 executive officers accrued a supplementary allowance under this policy during 1984. As of December 31, 1984, Mr. Burbidge had accrued a supplementary allowance based on 15 months of service beyond normal retirement age and another officer included in the group but not named in the compensation table had accrued a supplementary allowance based on 6 months of service beyond normal retirement age.

Pursuant to an agreement with Canadian Pacific Enterprises Limited, Mr. Campbell is to receive from it, after retirement, a total monthly payment equal to 66⅔% of his average monthly salary during the five years immediately preceding his retirement less any benefits received from the PanCanadian Petroleum pension plan and the pension plan of a previous employer. The compensation and retirement benefits of Mr. Maxwell and one other officer included in the group but not named in the compensation table are governed by individual employment contracts of indefinite duration pursuant to which their compensation is determined from time to time by corporate policy. The retirement income to be paid by the Corporation at age 65 to Mr. Maxwell is fixed at 27.3% of his then current compensation. The other officer was covered by an individual pension arrangement under which he accrued retirement benefits equal to 3½% of his final 5-year average salary for each year of service, up to his normal retirement date, less any benefits received from his own contributions to a registered retirement savings plan. As of December 31, 1984, he has accrued a supplementary allowance based on one month of service beyond normal retirement age and calculated on the same basis as the 1% policy referred to in the previous paragraph.

Certain executive officers of the Corporation retiring at or after normal retirement age on or before July 1, 1989 will receive a smaller pension under the pension plan than they would have received had certain planned salary increases for 1983 and 1984 been implemented. Those salary increases, which were designed to bring these officers up to or closer to the authorized salary levels of their respective positions, were restrained by virtue of the *Public Sector Compensation Restraint Act.* Since pensionable earnings under the plan are generally determined on the basis of compensation during the five years immediately preceding retirement, smaller pensions will be payable to those officers whose pensionable earnings are based in part on the years 1983 and 1984. The eight executive officers so affected will be entitled to receive as a supplemental benefit from the Corporation an amount equal to the difference between the pension payable under the plan and the pension that would have been payable had salary increases not been restrained. Entitlement to this supplemental benefit is conditional upon retirement on or after normal retirement age. It is anticipated that the aggregate amount payable as a supplemental benefit to all eight executive officers will not exceed $19,000 per annum.

Executive Compensation (continued)

The following statement shows the directors' and officers' remuneration paid in 1984 by the Corporation and its subsidiaries as required by the Canada Business Corporations Regulations.

	Nature of remuneration earned					
	Directors' fees	Salaries	Bonuses	Non-accountable expense allowance	Other	Total
Remuneration of directors						
Number of directors 26						
Body corporate incurring the expense:						
Canadian Pacific Limited	$435,767					$ 435,767
Canadian Pacific Enterprises Limited	119,931					119,931
Marathon Realty Company Limited	5,550					5,550
Cominco Ltd.	35,768					35,768
The Algoma Steel Corporation, Limited	26,400					26,400
Canadian Pacific Steamships, Limited	8,100					8,100
Pacific Forest Products Limited	1,475					1,475
Great Lakes Forest Products Limited	15,166					15,166
CIP Inc.	27,400					27,400
PanCanadian Petroleum Limited	33,305					33,305
Canadian Pacific Securities Limited	1,175					1,175
AMCA International Limited	34,250					34,250
AMCA International Corporation	15,990					15,990
Canadian Pacific Air Lines, Limited	16,209					16,209
Soo Line Corporation	31,200					31,200
Remuneration of officers						
Number of officers 33						
Body corporate incurring the expense:						
Canadian Pacific Limited		$4,350,471				4,350,471
Totals	$807,686	$4,350,471				$5,158,157

Directors and Officers Liability Insurance

On May 28, 1979, the Executive Committee of the Board of Directors approved the purchase of directors and officers liability insurance on behalf of the Corporation's directors and officers. The approximate amount of premium paid by the Corporation in 1984 in respect of its directors as a group and in respect of its officers as a group was $1,370 and $1,150 respectively. The aggregate amount of premium paid by the directors and the officers of the Corporation in respect of the year 1984 was approximately $220 and $370 respectively. The policy provides coverage with a limit of $100 million in each policy year, subject to a deductible of $75,000 for each loss. The deductible is to be absorbed by the Corporation.

Certain Transactions

The Corporation and its subsidiaries, in the normal course of business, paid $527,980 to the firm of Tilley, Carson & Findlay, of which Mr. A.S. Kingsmill, Q.C., a director, is a partner, for legal services in the fiscal year ended December 31, 1984.

Relocation of employees

To assist employees affected by relocation, the Corporation makes mortgage loans available in amounts dependent upon the cost differential in housing in the locations involved, the purchase price of the new house and the salary of the employee. The Corporation believes that these loans were on terms that were fair to the Corporation.

Mr. D.C. Coleman, Vice-President Eastern Region received such a loan, in May 1981, for a term of 20 years which bears no interest for the first 10 years and interest at the lesser of 10% or the Bank of Montreal prime rate for the final 10 years. One-third of this loan is to be repaid in the first 10 years and the balance in the final 10 years. The largest aggregate amount outstanding during the period January 1, 1984 to March 11, 1985 was $66,000 and the amount outstanding at March 11, 1985 was $66,000.

Mr. J. Fox, Vice-President Engineering, Special Projects received a loan in 1982 for $59,000 under the same conditions as Mr. Coleman's. The largest aggregate amount outstanding during the period January 1, 1984 to March 11, 1985 was $59,000 and the amount outstanding at March 11, 1985 was $59,000.

Mr. D.E. Sloan, Treasurer, received a loan in 1977 for $66,000 for a term of 15 years. No payments were to be made during the first four years. During the remaining eleven years payments are to be made in equal monthly installments. No interest is charged. The largest aggregate amount outstanding during the period January 1, 1984 to March 11, 1985 was $50,424 and the amount outstanding at March 11, 1985 was $43,464.

Mr. D.G. MacDonald, Assistant Treasurer, received a loan in 1977 for $26,000 under the same conditions as Mr. Sloan's. The largest aggregate amount outstanding during the period January 1, 1984 to March 11, 1985 was $21,273 and the amount outstanding at March 11, 1985 was $18,445.

Auditors

There will be submitted to the Annual Meeting of Shareholders a resolution appointing Price Waterhouse to the office of auditors of the Corporation for a term expiring at the close of the next annual meeting of shareholders, to be held in 1986. Representatives of Price Waterhouse will be present at the meeting with the opportunity to make a statement if they so desire and to respond to appropriate questions.

Amendments to the Articles of the Corporation

The special business to be submitted to the shareholders at the Annual Meeting concerns proposed amendments to the Corporation's articles of continuance. In accordance with a resolution adopted by the Board of Directors on February 11, 1985, the Corporation has notified the holders of its 7¼% Cumulative Redeemable Preferred Shares, Series A that it intends to redeem all such shares on March 28, 1985. Accordingly, holders of shares of that series will not be affected by the proposed amendments described below.

Subdivision of Shares

Shareholders will be asked to vote upon a special resolution to amend the articles of continuance of the Corporation to subdivide its Ordinary Shares and its Preference Shares at the close of business of the registered office of the Corporation on May 17, 1985 on a three-for-one basis. At the present time, there are issued and outstanding 71,662,280 Ordinary Shares and a total of 4,711,320 Preference Shares. Management believes that the subdivision will increase the market for and the distribution of the Corporation's shares. If the special resolution is approved, the subdivision will become effective, after a certificate of amendment is issued, at the close of business on May 17, 1985. When the subdivision becomes effective, each certificate representing Ordinary Shares and Preference Shares will continue to represent the same number of shares, and the Corporation will, as soon as practicable thereafter, send to each holder of Ordinary Shares and each holder of Preference Shares additional certificates representing twice the number of shares previously held. Outstanding Ordinary and Preference Share certificates need not be sent to the Corporation or its transfer agents and may be retained by the holders thereof.

Subdivision of Shares (continued)

Under the articles, the voting rights attached to each Preference Share are the same as are given by an Ordinary Share. The proposed subdivision would not change the proportionate voting rights as between these classes. Similarly, under the articles, the holders of Ordinary Shares are entitled to receive any dividend declared by the Corporation except dividends declared on another class or series of shares. This entitlement would not be affected by the proposed subdivision. The articles provide that dividends on the Preference Shares take priority over dividends on the Ordinary Shares for up to, but not exceeding 4% per annum, being $0.12 per Canadian Dollar Preference Share per annum and £0.04 per Sterling Preference Share per annum. Dividends on the Preference Shares are not cumulative and if for any period or periods the dividends on such Preference Shares are less than 4% per annum, being $0.12 Canadian Dollar Preference Share per annum or £0.04 per Sterling Preference Share per annum, the deficiency or any part of it is not to be made good afterwards. To maintain in respect of the subdivided shares the degree of preference that now exists respecting the payment of dividends, the special resolution to be submitted to shareholders also authorizes an amendment to the articles to reduce the maximum dividend payable on each Preference Share from $0.12 per Canadian Dollar Preference Share per annum and £0.04 per Sterling Preference Share per annum to one-third of those respective amounts.

Incidental to the subdivision of Ordinary and Preference Shares and upon its becoming effective, the special resolution also amends specified references in the articles. These references are to the former par or nominal values of $5 of ordinary stock and $3 and £1 of preference stock which under the special resolution would be changed to one-third of those respective amounts. These consequential amendments ensure that the subdivision makes no change to the shareholders' existing rights.

The Board of Directors considers it advantageous to the Corporation and its shareholders that the Ordinary and Preference Shares be subdivided on a three-for-one basis and that the consequential amendments referred to above be adopted, and unanimously recommends that shareholders vote for the special resolution.

To become effective, the special resolution, the full text of which appears as Schedule I to this Proxy Statement, must be passed by a majority of not less than two-thirds of the votes cast by the holders of the Ordinary Shares and Preference Shares present or represented at the Annual Meeting of Shareholders and voting together on the resolution. It must also be passed by a majority of not less than two-thirds of the votes cast by the holders of the Preference Shares present or represented and voting on the resolution separately as a class, because of the consequential change in their dividend.

Except as indicated above, the proposed subdivision and consequential amendments do not affect the rights of any other security holder.

Under the CBCA, a holder of Preference Shares who objects to this amendment to the articles may dissent and be paid the fair value of his or her shares in accordance with section 184. A holder of Preference Shares will not be entitled to object with respect to any shares which he or she votes in favour of the special resolution. Any holder of Preference Shares who wishes to exercise the rights afforded by section 184 should refer to that section, which appears as Schedule II to this Proxy Statement.

The following is a brief summary of section 184. A dissenting shareholder must send a written objection to the special resolution to the Corporation at or before the Annual Meeting of Shareholders. The filing of a written objection does not deprive a shareholder of his or her right to vote on the special resolution but a vote against the special resolution does not in itself constitute a written objection. A dissenting shareholder may only claim under section 184 with respect to all the Preference Shares held by him or her on behalf of any one beneficial owner and registered in the name of the dissenting shareholder. Within 10 days after the passing of the special resolution, the Corporation is required to notify each dissenting shareholder that the resolution has been adopted. The dissenting shareholder is then required within 20 days after receiving that notice, to send to the Corporation a written demand for payment of the fair value of the shares in respect of which he or she dissents and within 30 days thereafter to send the certificates representing his or her shares to the Corporation at its registered office or to its transfer agent. The Corporation is then required to send to each dissenting shareholder who has sent a demand for payment, an offer to pay for such shares in an amount considered by the directors to be the fair value thereof, accompanied by a statement showing how that value was determined. Each such offer must be on the same terms. If an offer to pay is not made or is not accepted, the Corporation or a dissenting shareholder may apply to a court to fix the fair value for the shares. The dissenting shareholder will be entitled to be paid the amount fixed by the court. All notices given pursuant to section 184 should be addressed to the Secretary at the address shown for the registered office of the Corporation on page 1 of this Proxy Statement. It is suggested that any holder of Preference Shares wishing to exercise the right of dissent should review carefully the provisions of section 184 in conjunction with a lawyer because failure to comply strictly with the statutory provisions may prejudice that right.

Change in Authorized Ordinary Shares

Shareholders will also be asked to vote upon a special resolution to amend the articles of continuance to change the maximum number of Ordinary Shares that the Corporation is authorized to issue to an unlimited number. At the present time, the Corporation is authorized to issue 100,000,000 Ordinary Shares, of which 71,662,280 have been issued and are outstanding. Although there are no present plans, arrangements or agreements to issue any Ordinary Shares, this change to the Corporation's articles would facilitate the raising of additional equity capital in the future as needs arise over the long term. As at present, no further shareholder action will be required for the issuance of additional Ordinary Shares and such issuances could result in dilution to existing shareholders. Holders of securities of the Corporation will not have any preemptive rights to subscribe for or purchase any of the additional Ordinary Shares. If the special resolution is approved by the shareholders, articles of amendment will be filed as soon as practicable thereafter.

The Board of Directors considers it advantageous to the Corporation and its shareholders that the Corporation be authorized to issue an unlimited number of Ordinary Shares and unanimously recommends that shareholders vote for the special resolution.

To become effective, the special resolution, the full text of which appears as Schedule III to this Proxy Statement, must be passed by a majority of not less than two-thirds of the votes cast by the holders of the Ordinary Shares and Preference Shares present or represented at the Annual Meeting of Shareholders and voting together on the resolution.

Shareholder Proposals

Any shareholder proposals to be included in the Proxy Statement to be issued in respect of the 1986 Annual Meeting of Shareholders must be received by the Secretary by January 30, 1986.

A COPY OF THE CORPORATION'S FORM 10K FILED WITH THE SECURITIES AND EXCHANGE COMMISSION WILL BE PROVIDED WITHOUT CHARGE ON WRITTEN APPLICATION TO THE SECRETARY AT THE ADDRESS SHOWN FOR THE REGISTERED OFFICE OF THE CORPORATION APPEARING ON PAGE 1 OF THIS PROXY STATEMENT.

The contents and the sending of this Proxy Statement have been approved by the directors of the Corporation.

D.J. Deegan,
Secretary.
Montreal, March 11th, 1985.

SCHEDULE I

Canadian Pacific Limited

Special Resolution of Shareholders

RESOLVED as a special resolution that:

1. The articles of continuance of the Corporation be amended to subdivide the issued and unissued Ordinary Shares and Preference Shares at the close of business of the registered office of the Corporation on May 17, 1985 on a three-for-one basis.

2. The following additional amendments consequential to the subdivision of shares be made to the articles to come into effect upon the subdivision becoming effective:

   (i) the maximum dividend payable on each Preference Share be reduced from $0.12 per Canadian Dollar Preference Share per annum and £0.04 per Sterling Preference Share per annum to $0.04 and £0.01 ⅓ per annum, respectively, so that paragraph 2.c) of Schedule A to the said articles shall be amended to read as follows:

   > "c) As to dividends the Preference Shares shall take priority over Ordinary Shares up to, but not exceeding 4% per annum, being $0.04 per Canadian Dollar Preference Share per annum and £0.01 ⅓ per Sterling Preference Share per annum, and shall not receive at any time a dividend at a higher rate than 4% per annum or in excess of these amounts. Dividends on the Preference Shares shall not be cumulative and if for any period or periods the dividends on such Preference Shares be less than 4% per annum, being $0.04 per Canadian Dollar Preference Share per annum or £0.01 ⅓ per Sterling Preference Share per annum, the deficiency or any part of it shall not be made good afterwards. A holder of a fraction of a Preference Share is entitled to receive a dividend in respect of that fraction.";

   (ii) the references in paragraph 2) appearing under the heading "SHARES" in Schedule A to the said articles to $5 of ordinary stock and to $3 and to £1 of preference stock be changed to $1.66 ⅔ of ordinary stock and to $1 and to £0.33 ⅓ of preference stock, respectively, so that the said paragraph shall be amended to read as follows:

   > "2) a number of Preference Shares without nominal or par value such that the amount of preference stock outstanding may equal but shall not exceed at any time ½ the aggregate amount of the ordinary stock then outstanding and that the authorized capital of the Corporation shall be decreased by the preference stock of the Corporation surrendered in consideration of preferred shares of the Corporation and cancelled prior to its continuance under the Canada Business Corporations Act, for such purpose each Canadian Dollar Preference Share and each Sterling Preference Share being deemed to be the equivalent of $1 and £0.33 ⅓ respectively of preference stock and each Ordinary Share being deemed to be the equivalent of $1.66 ⅔ of ordinary stock,";

   (iii) the references in paragraph 2.e) of Schedule A to the said articles to $3 of such preference stock and to £1 of such preference stock be changed to $1 and to £0.33 ⅓ of such preference stock, respectively, so that the said paragraph be amended to read as follows:

   > "e) The rights of the holders of the Preference Shares on dissolution shall be determined on the basis of the provisions applicable to the preference stock of the Corporation immediately preceding its continuance under the Canada Business Corporations Act and in accordance with the provisions applicable to the other classes of shares of the Corporation and for that purpose each Canadian Dollar Preference Share shall be deemed to be $1 of such preference stock and each Sterling Preference Share shall be deemed to be £0.33 ⅓ of such preference stock and the provisions applicable to the Ordinary Shares and the Preferred Shares shall be deemed to be those applicable to the ordinary stock and the preferred shares respectively of the Corporation immediately preceding such continuance.";

Special Resolution of Shareholders (continued)

(iv) the references in section 6 of Schedule C to the said articles to $3 and £1 of preference stock be changed to $1 and £0.33 ⅓ of preference stock, so that the said section shall be amended to read as follows:

"6. The Corporation may at any time and from time to time on such terms and conditions as the directors of the Corporation may from time to time prescribe issue any of the Preferred Shares of the Corporation in consideration of the surrender of any Preference Shares of the Corporation, provided that what would be the par value of any such Preferred Shares so issued if each of them were a preferred share having a par value of $10 shall not exceed what would be the par value of the Preference Shares so surrendered, for such purpose each Canadian Dollar Preference Share and each Sterling Preference Share being deemed to be $1 and £0.33 ⅓ respectively of preference stock. Any Preference Shares so surrendered shall be cancelled and the authorized and issued capital of the Corporation shall be thereby decreased.";

(v) the references in section 8 of Schedule C to the said articles to $3 and £1 of preference stock be changed to $1 and £0.33 ⅓ of preference stock, so that the said section shall be amended to read as follows:

"8. Except to the extent otherwise required by the Canada Business Corporations Act, Preference Shares and Preferred Shares shall be issued in accordance with the provisions applicable to the preference stock and preferred shares respectively of the Corporation immediately preceding its continuance under the Canada Business Corporations Act and for such purpose each Canadian Dollar Preference Share shall be deemed to be $1 of such preference stock, each Sterling Preference Share shall be deemed to be £0.33 ⅓ of such preference stock and each Preferred Share shall be deemed to be 1 such preferred share.";

(vi) a subsection 2) be added to section 11 of Schedule C to the said articles for the purpose of determining the rights of the holders of the Preference and Preferred Shares on dissolution, so that the said subsection shall read as follows:

"2) Upon the first subdivision of the Ordinary Shares and Preference Shares on a three-for-one basis becoming effective, for the purpose of determining the rights of the holders of the Preference Shares and of the Preferred Shares on dissolution in accordance with the rights, privileges, restrictions and conditions respectively attached thereto, each Ordinary Share and each Canadian Dollar Preference Share and Sterling Preference Share shall be deemed to be $1.66 ⅔ of ordinary stock and $1 and £0.33 ⅓ of preference stock respectively."

3. The proper officers of the Corporation be and they are hereby authorized and directed to sign and deliver for and on behalf of the Corporation articles of amendment and to sign and deliver such other notices and documents and to do such other acts and things as may be considered necessary or desirable to give effect to this special resolution.

SCHEDULE II

Section 184 of the Canada Business Corporations Act

184. (1) **Right to Dissent** — Subject to sections 185 and 234, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 185.1(4)(d) that affects the holder or if the corporation resolves to

(a) amend its articles under section 167 or 168 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;

(b) amend its articles under section 167 to add, change or remove any restriction upon the business or businesses that the corporation may carry on;

(c) amalgamate with another corporation, otherwise than under section 178;

(d) be continued under the laws of another jurisdiction under section 182; or

(e) sell, lease or exchange all or substantially all its property under subsection 183(2).

(2) **Further Right** — A holder of shares of any class or series of shares entitled to vote under section 170 may dissent if the corporation resolves to amend its articles in a manner described in that section.

(3) **Payment for Shares** — In addition to any other right he may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which he dissents or an order made under subsection 185.1(4) becomes effective, to be paid by the corporation the fair value of the shares held by him in respect of which he dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

(4) **No Partial Dissent** — A dissenting shareholder may only claim under this section with respect to all the shares of a class held by him on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

(5) **Objection** — A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of his right to dissent.

(6) **Notice of Resolution** — The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn his objection.

(7) **Demand for Payment** — A dissenting shareholder shall, within twenty days after he receives a notice under subsection (6) or, if he does not receive such notice, within twenty days after he learns that the resolution has been adopted, send to the corporation a written notice containing

(a) his name and address;

(b) the number and class of shares in respect of which he dissents; and

(c) a demand for payment of the fair value of such shares.

(8) **Share Certificate** — A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which he dissents to the corporation or its transfer agent.

(9) **Forfeiture** — A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.

(10) **Endorsing Certificate** — A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificates to the dissenting shareholder.

Section 184 of the Canada Business Corporations Act (continued)

(11) **Suspension of Rights** — On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of his shares as determined under this section except where

(a) the dissenting shareholder withdraws his notice before the corporation makes an offer under subsection (12),

(b) the corporation fails to make an offer in accordance with subsection (12) and the dissenting shareholder withdraws his notice, or

(c) the directors revoke a resolution to amend the articles under subsection 167(2) or 168(4), terminate an amalgamation agreement under subsection 177(6) or an application for continuance under subsection 182(6), or abandon a sale, lease or exchange under subsection 183(8),

in which case his rights as a shareholder are reinstated as of the date he sent the notice referred to in subsection (7).

(12) **Offer to Pay** — A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice

(a) a written offer to pay for his shares in an amount considered by the directors of the corporation to be the fair value thereof, accompanied by a statement showing how the fair value was determined; or

(b) if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

(13) **Same Terms** — Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.

(14) **Payment** — Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

(15) **Corporation may apply to Court** — Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

(16) **Shareholder Application to Court** — If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

(17) **Venue** — An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

(18) **No Security for Costs** — A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).

(19) **Parties** — Upon an application to a court under subsection (15) or (16),

(a) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and

(b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of his right to appear and be heard in person or by counsel.

(20) **Powers of Court** — Upon an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

Section 184 of the Canada Business Corporations Act (continued)

(21) **Appraisers** — A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

(22) **Final Order** — The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of his shares as fixed by the court.

(23) **Interest** — A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

(24) **Notice that subsection (26) applies** — If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

(25) **Effect where subsection (26) applies** — If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may

(a) withdraw his notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to his full rights as a shareholder; or

(b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

(26) **Limitation** — A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

(a) the corporation is or would after the payment be unable to pay its liabilities as they become due; or

(b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

SCHEDULE III

Canadian Pacific Limited

Special Resolution of Shareholders

RESOLVED as a special resolution that:

1. The articles of continuance of the Corporation be amended to change the maximum number of Ordinary Shares that the Corporation is authorized to issue from 100,000,000 to an unlimited number.
2. The proper officers of the Corporation be and they are hereby authorized and directed to sign and deliver for and on behalf of the Corporation articles of amendment and to do such other acts and things as may be considered necessary or desirable to give effect to this special resolution.

Canadian Pacific Limited

Form 8-K Current Report
February 13, 1985

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d) of

THE SECURITIES EXCHANGE ACT OF 1934

Date of Report: February 13, 1985

Canadian Pacific Limited
(Exact name of registrant as specified in its charter)

Canada	1-1342-2	98-0001377
(State or other jurisdiction of incorporation)	(Commission File No.)	(I.R.S. Employer Identification No.)

910 Peel Street
Windsor Station
Montreal, Quebec — H3C 3E4
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code:

(514) 395-5151

N/A
(Former name or former address, if changed since last report)

ITEM 5 OTHER EVENTS

Canadian Pacific Limited announced on February 11, 1985 that the shareholders of the Corporation be asked at the forthcoming Annual Meeting of Shareholders to consider and vote upon special resolutions to increase the authorized number of Ordinary Shares from 100,000,000 to an unlimited number and to subdivide the issued Ordinary and Preference Shares on a three-for-one basis and, in connection therewith, to make necessary consequential amendments to the articles including a proportionate reduction of the maximum dividend payable on each Preference Share. In addition, the Corporation announced that all the issued and outstanding 7¼% Cumulative Redeemable Preferred Shares, Series A, of the Corporation be redeemed, as soon as practicable, at $10.00 per share together with accrued and unpaid dividends to the date of redemption.

ITEM 7 EXHIBIT

Press release of registrant dated February 11, 1985.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CANADIAN PACIFIC LIMITED
(Registrant)

Date: February 13, 1985

By (Sgd.) J.P.T. Clough
(Signature)

J.P.T. Clough,
Vice-President, Finance and Accounting

Canadian Pacific Limited

Form 8-K Current Report
September 6, 1985

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d) of

THE SECURITIES EXCHANGE ACT OF 1934

Date of Report: September 6, 1985

Canadian Pacific Limited
(Exact name of registrant as specified in its charter)

Canada	1-1342-2	98-0001377
(State or other jurisdiction of incorporation)	(Commission File No.)	(I.R.S. Employer Identification No.)

910 Peel Street Windsor Station Montreal, Quebec	H3C 3E4
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code:

(514) 395-5151

N/A
(Former name or former address, if changed since last report)

Item 5 Other Events

As previously reported in Canadian Pacific Limited's (the Corporation) Form 8-K dated February 13, 1985, the Shareholders of the Corporation were to be asked at the Annual Meeting of Shareholders to consider and vote upon a special resolution to subdivide the issued Ordinary and Preference Shares on a three-for-one basis. At the Annual Meeting of Shareholders held on May 1, 1985, the Shareholders approved a three-for-one split of the Ordinary and Preference Shares of the Corporation effective at the close of business on May 17, 1985. The following table presents the Corporation's earnings per Ordinary Share and cash dividends per Ordinary Share as previously reported and as adjusted to reflect the three-for-one Ordinary Share split. The report of Price Waterhouse, independant accountants, dated March 8, 1985 is attached as Exhibit 28. Such report has been updated to reflect the three-for-one Ordinary Share split.

	Years ended December 31		
	1984	1983	1982
As previously reported	(in thousands, except per share amounts)		
Net income	$376,903	$143,592	$188,294
Deduct: Dividends on Preferred and Preference Shares	1,353	1,492	1,644
Adjusted net income	$375,550	$142,100	$186,650
Ordinary Shares outstanding	71,662	71,662	71,662
Earnings per Ordinary Share	$ 5.24	$ 1.98	$ 2.60
Cash dividends declared per Ordinary Share	$ 1.40	$ 1.40	$ 1.65
Adjusted			
Ordinary Shares outstanding	214,987	214,987	214,987
Earnings per Ordinary Share	$ 1.75	$ 0.66	$ 0.87
Cash dividends declared per Ordinary Share	$ 0.47	$ 0.47	$ 0.55

Item 7 Financial Statements and Exhibits

Listed below are exhibits filed as part of this report.

Exhibit 24 - Consent of Price Waterhouse
Exhibit 28 - Updated Report of Price Waterhouse

* Appears on pages 14 to 52 of the Corporation's Annual Report to shareholders for the year ended December 31, 1984 which is incorporated by reference in the Annual Report on Form 10-K for the year ended December 31, 1984.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CANADIAN PACIFIC LIMITED
(Registrant)

Date: September 6, 1985

(Sgd.) J.P.T. CLOUGH
J.P.T. Clough
Vice-President
Finance and Accounting

Exhibit Index

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Canadian Pacific Limited

Form 10-Q Quarterly Report for Quarter Ended June 30, 1985

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended June 30, 1985

Commission File Number 1-1342-2

Canadian Pacific Limited

Canada

98-0001377
(I.R.S. Employer
Identification No.)

910 Peel Street, P.O. Box 6042, Station A, Montreal, Quebec, Canada H3C 3E4

Registrant's telephone number, including area code 514-395-5151

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at August 12, 1985
Ordinary shares without nominal or par value	214,986,840 shares

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No .....

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Canadian Pacific Limited

Form 10-Q - For the Quarter Ended June 30, 1985

INDEX

Canadian Pacific Limited

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

STATEMENT OF CONSOLIDATED INCOME
UNAUDITED

	For the three months ended June 30		For the six months ended June 30	
	1985	1984	1985	1984
	(in thousands, except per share amounts)			
CP RAIL				
Revenues	$ 661,346	$ 652,771	$1,259,444	$1,250,952
Expenses including income taxes	615,546	600,455	1,200,296	1,169,677
Net income	45,800	52,316	59,148	81,275
CP AIR				
Revenues	360,251	300,165	661,535	547,376
Expenses including income taxes	356,195	297,156	666,697	558,383
	4,056	3,009	(5,162)	(11,007)
Preference dividend	801	826	1,604	1,621
Net income	3,255	2,183	(6,766)	(12,628)
CP SHIPS				
Revenues	90,695	88,093	176,079	166,405
Expenses including income taxes	89,326	93,061	172,315	179,611
	1,369	(4,968)	3,764	(13,206)
Minority interest	4,442	614	6,919	(298)
Net income	(3,073)	(5,582)	(3,155)	(12,908)
CP TRUCKS				
Revenues	96,403	93,330	187,873	183,195
Expenses including income taxes	95,669	92,817	188,418	183,539
Net income	734	513	(545)	(344)
SOO LINE CORPORATION				
Revenues	233,579	98,114	402,704	206,172
Expenses including income taxes	240,663	96,094	407,186	198,027
	(7,084)	2,020	(4,482)	8,145
Minority interest	(3,134)	895	(1,983)	3,609
Net income	(3,950)	1,125	(2,499)	4,536
CP TELECOMMUNICATIONS				
Revenues	44,242	43,004	87,962	84,521
Expenses including income taxes	42,086	40,903	83,263	80,648
Net income	2,156	2,101	4,699	3,873
MISCELLANEOUS				
Net income	(1,475)	(11,340)	(4,162)	(19,861)
TRANSPORTATION & MISCELLANEOUS				
Net income	43,447	41,316	46,720	43,943
CANADIAN PACIFIC ENTERPRISES LIMITED				
Revenues	2,609,640	2,565,490	4,985,549	4,932,618
Expenses including income taxes	2,530,137	2,454,438	4,805,066	4,768,004
	79,503	111,052	180,483	164,614
Minority interests	38,524	54,815	85,262	77,644
Net income	40,979	56,237	95,221	86,970
Total revenues	4,001,660	3,750,382	7,570,497	7,183,778
Total expenses including income taxes and minority interests	3,917,234	3,652,829	7,428,556	7,052,865
NET INCOME	$ 84,426	$ 97,553	$ 141,941	$ 130,913
DIVIDENDS PER ORDINARY SHARE	12¢	11.67¢	23.67¢	23.33¢
EARNINGS PER ORDINARY SHARE (Exhibit 11)	39¢	46¢	66¢	61¢

Canadian Pacific Limited

STATEMENT OF CONSOLIDATED RETAINED INCOME
UNAUDITED

	For the six months ended June 30 1985	1984
	(in thousands)	
Balance, January 1	$ 3,602,974	$ 3,327,138
Net income	141,941	130,913
	3,744,915	3,458,051
Gain arising from the increase in shareholders' equity of a subsidiary due to the issuance of common shares	843	235
	3,745,758	3,458,286
Dividends		
7¼% Preferred shares	181	429
4% Preference shares	261	261
Ordinary shares (per share: 1985-23.67¢; 1984-23.33¢)	50,880	50,164
Total dividends	51,322	50,854
Balance, June 30	$ 3,694,436	$ 3,407,432

STATEMENT OF CHANGES IN CONSOLIDATED FINANCIAL POSITION
UNAUDITED

	For the six months ended June 30 1985	1984
	(in thousands)	
SOURCE OF FUNDS		
Net income	$ 141,941	$ 130,913
Depreciation, depletion and amortization	489,699	430,641
Deferred income taxes	54,647	26,216
Minority interest in income of subsidiaries	91,802	82,576
Funds from operations	778,089	670,346
Reduction of investments	14,722	66,570
Issuance of long term debt	519,470	153,321
Issuance of shares by subsidiaries	12,483	105,808
Proceeds from sale of subsidiaries	73,773	-
Proceeds from disposal of properties	38,268	47,987
Sundries, net	33,583	15,123
Decrease (increase) in working capital	145,102	(12,600)
	$ 1,615,490	$ 1,046,555
APPLICATION OF FUNDS		
Additions to properties	$ 784,217	$ 493,171
Additions to investments	38,306	28,337
Acquisition of railway operations and related net assets by a subsidiary	257,366	-
Reduction in long term debt	339,970	409,685
Preferred shares purchased for cancellation	10,769	851
Dividends	51,322	50,854
Dividends paid minority shareholders of subsidiaries	66,800	63,657
Working capital deficit of railway operations acquired by a subsidiary	18,787	-
Working capital of subsidiaries sold	47,953	-
	$ 1,615,490	$ 1,046,555

Canadian Pacific Limited

CONSOLIDATED BALANCE SHEET

ASSETS

	Unaudited June 30, 1985	Dec. 31, 1984
	(in thousands)	
Current Assets		
Cash and temporary investments, at cost (approximates market)	$ 454,699	$ 483,687
Accounts receivable	2,414,764	2,073,843
Inventories		
Raw materials	572,724	603,442
Work in progress	269,603	266,041
Finished goods	581,475	589,002
Rail materials and supplies	300,175	236,367
Stores and materials	296,472	294,241
	2,020,449	1,989,093
	4,889,912	4,546,623
Insurance Fund (approximate market $4,716,000; 1984 - $4,215,000)	4,363	4,000
Investments	437,362	407,209
Properties, at cost		
CP Rail	4,597,870	4,448,451
CP Air	1,625,482	1,558,644
CP Ships	902,009	873,205
CP Trucks	205,933	205,116
Soo Line Corporation	1,599,221	935,015
CP Telecommunications	335,541	328,540
Miscellaneous	36,587	36,403
Canadian Pacific Enterprises Limited	11,821,503	11,425,931
	21,124,146	19,811,305
Less: Accumulated depreciation, depletion and amortization	6,922,653	6,564,149
	14,201,493	13,247,156
Other Assets and Deferred Charges	616,268	591,134
	$20,149,398	$18,796,122

Canadian Pacific Limited

CONSOLIDATED BALANCE SHEET

LIABILITIES

	Unaudited June 30, 1985	Dec. 31, 1984
	(in thousands)	
Current Liabilities		
Bank loans	$ 449,852	$ 414,750
Accounts payable and accrued liabilities	2,575,370	2,353,160
Notes and accrued interest payable	638,552	391,279
Income and other taxes payable	66,525	85,434
Dividends payable	40,945	41,486
Long term debt maturing within one year	294,526	291,270
	4,065,770	3,577,379
Deferred Liabilities	275,711	176,928
Insurance Reserve	4,363	4,000
Long Term Debt	5,819,119	5,317,722
Perpetual 4% Consolidated Debenture Stock	170,692	157,805
Minority Shareholders' Interest in Subsidiary Companies	3,057,466	2,997,161
Deferred Income Taxes	1,844,005	1,775,625
Deferred Income Credits	285,062	266,559
Shareholders' Equity (Note 6)		
Preferred shares		
Authorized - 20,381,788 shares without nominal or par value		
Issued - Nil (1984-1,077,122) 7¼% Cumulative Redeemable Series A shares	-	10,771
Preference shares - 4% non-cumulative		
Authorized - an amount not exceeding one-half the aggregate amount of Ordinary shares outstanding		
Issued - 2,561,769 Sterling Preference shares	4,156	4,156
- 10,713,816 Canadian Dollar Preference shares	10,714	10,714
	14,870	14,870
Ordinary shares		
Authorized - an unlimited number of shares without nominal or par value		
Issued - 214,986,840 shares	358,311	358,311
Premium on securities	115,310	115,308
Other paid-in surplus	162,288	161,390
Foreign currency translation adjustments	281,995	259,319
Retained income	3,694,436	3,602,974
	4,627,210	4,522,943
	$20,149,398	$18,796,122

Canadian Pacific Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED

1. Canadian Pacific Enterprises Limited-Net Income

	For the three months ended June 30 1985	1984	For the six months ended June 30 1985	1984
	(in thousands)			
OIL AND GAS				
Gross operating revenue	$ 275,248	$ 251,053	$ 579,120	$ 521,992
Expenses including income and revenue taxes	206,715	179,864	422,245	373,729
	68,533	71,189	156,875	148,263
Interest of outside shareholders	8,854	9,198	20,268	19,156
Net income	59,679	61,991	136,607	129,107
MINES AND MINERALS				
Gross operating revenue	568,518	527,177	993,740	987,217
Expenses including income taxes	562,349	503,446	982,858	957,009
	6,169	23,731	10,882	30,208
Interest of outside shareholders	2,974	11,643	5,550	15,828
Net income	3,195	12,088	5,332	14,380
FOREST PRODUCTS				
Sales and operating revenue	547,169	551,568	1,089,828	1,061,192
Expenses including income taxes	553,043	557,726	1,099,426	1,096,835
	(5,874)	(6,158)	(9,598)	(35,643)
Interest of outside shareholders	6	146	2,710	(3,306)
Net income	(5,880)	(6,304)	(12,308)	(32,337)
IRON AND STEEL				
Sales and operating revenue	857,869	802,891	1,625,805	1,539,418
Expenses including income taxes	851,902	797,780	1,617,754	1,549,211
	5,967	5,111	8,051	(9,793)
Interest of outside shareholders	6,503	7,870	10,683	6,236
Net income	(536)	(2,759)	(2,632)	(16,029)
REAL ESTATE				
Gross rentals and other income	68,154	66,273	136,344	132,547
Expenses including income taxes	63,721	58,232	125,089	120,218
	4,433	8,041	11,255	12,329
Interest of outside shareholders	125	96	225	180
Net income	4,308	7,945	11,030	12,149
AGRIPRODUCTS				
Gross operating revenue	252,296	331,021	481,609	621,780
Expenses including income taxes	254,874	326,921	481,303	612,045
	(2,578)	4,100	306	9,735
Interest of outside shareholders	696	587	1,363	1,145
Net income	(3,274)	3,513	(1,057)	8,590
OTHER BUSINESSES				
Gross operating revenue	28,564	23,111	55,526	45,289
Expenses including income taxes	25,359	20,918	49,656	41,413
Net income	3,205	2,193	5,870	3,876
FINANCIAL				
Gross operating revenue	35,214	38,364	72,007	73,625
Expenses including income taxes	35,566	35,519	75,165	67,986
Net income	(352)	2,845	(3,158)	5,639
CANADIAN PACIFIC ENTERPRISES LIMITED				
Net income	60,345	81,512	139,684	125,375
Minority interest	19,366	25,275	44,463	38,405
NET INCOME	$ 40,979	$ 56,237	$ 95,221	$ 86,970

Canadian Pacific Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED

2. Expenses Including Income Taxes

	For the three months ended June 30 1985	For the three months ended June 30 1984	For the six months ended June 30 1985	For the six months ended June 30 1984
		(in thousands)		
CP RAIL				
Maintenance	$ 187,351	$ 179,558	$ 362,515	$ 355,290
Transportation	209,210	211,701	425,009	417,166
General and administrative	123,274	120,231	249,988	241,095
Depreciation and amortization	31,407	29,077	62,210	57,976
Fixed charges	18,000	12,900	37,200	25,800
Income taxes	46,304	46,988	63,374	72,350
	$ 615,546	$ 600,455	$1,200,296	$1,169,677
CP AIR				
Maintenance	$ 24,718	$ 19,105	$ 49,811	$ 38,365
Operating expenses and cost of goods sold	190,379	170,797	369,092	329,168
Selling, general and administrative	98,480	72,226	182,422	140,758
Depreciation and amortization	24,360	20,150	46,711	37,195
Interest	14,522	12,843	28,993	25,210
Income taxes	3,736	2,035	(10,332)	(12,313)
	$ 356,195	$ 297,156	$ 666,697	$ 558,383
CP SHIPS				
Maintenance	$ 5,434	$ 8,269	$ 10,351	$ 12,846
Other operating	53,547	57,767	98,004	110,608
Selling, general and administrative	8,594	10,072	25,706	22,562
Depreciation and amortization	14,549	11,049	25,288	21,938
Interest	3,989	5,352	8,000	10,469
Income taxes	3,213	552	4,966	1,188
	$ 89,326	$ 93,061	$ 172,315	$ 179,611
CP TRUCKS				
Maintenance	$ 6,764	$ 6,905	$ 13,161	$ 14,000
Other operating	69,094	66,254	137,688	132,496
Selling, general and administrative	13,841	14,561	28,191	28,964
Depreciation and amortization	4,043	3,868	7,871	7,198
Interest	1,343	929	2,618	1,651
Income taxes	584	300	(1,111)	(770)
	$ 95,669	$ 92,817	$ 188,418	$ 183,539
SOO LINE CORPORATION				
Maintenance	$ 64,874	$ 28,408	$ 103,276	$ 53,293
Traffic	6,106	2,442	10,158	4,727
Other operating	138,517	50,454	231,111	107,209
General and administrative	8,048	4,987	18,202	9,960
Depreciation and amortization	14,257	6,348	24,605	12,545
Fixed charges	15,599	2,937	24,097	5,900
Income taxes	(6,738)	518	(4,263)	4,393
	$ 240,663	$ 96,094	$ 407,186	$ 198,027
CP TELECOMMUNICATIONS				
Operating and maintenance	$ 24,210	$ 21,952	$ 47,499	$ 43,778
Selling, general and administrative	8,004	9,519	16,020	18,280
Depreciation and amortization	5,661	5,570	11,219	11,085
Interest	1,853	1,734	3,594	3,584
Income taxes	2,358	2,128	4,931	3,921
	$ 42,086	$ 40,903	$ 83,263	$ 80,648

2. Expenses Including Income Taxes (Continued)

	For the three months ended June 30		For the six months ended June 30	
	1985	1984	1985	1984
	(in thousands)			
MISCELLANEOUS				
Operating, general and administrative	$ 11,066	$ 10,499	$ 23,938	$ 27,250
Depreciation and amortization	6,002	10,364	11,442	10,634
Fixed charges	9,497	12,987	17,257	23,133
Income taxes	(5,970)	(8,901)	(12,964)	(15,228)
	$ 20,595	$ 24,949	$ 39,673	$ 45,789
CANADIAN PACIFIC ENTERPRISES LIMITED				
Operating expenses and cost of goods sold	$1,858,086	$1,821,417	$3,509,150	$3,546,185
Distribution, selling, general and administrative	297,560	267,636	553,089	520,125
Depreciation, depletion and amortization	151,750	140,580	300,353	272,070
Interest	124,517	128,163	252,560	249,573
Income taxes	98,224	96,642	189,914	180,051
	$2,530,137	$2,454,438	$4,805,066	$4,768,004

3. Canadian Pacific Enterprises Limited - Expenses Including Income Taxes

	1985	1984	1985	1984
OIL AND GAS				
Cost of goods sold	$ 62,503	$ 50,331	$ 128,064	$ 105,889
Selling, general and administrative	10,051	8,714	19,754	16,683
Depreciation, depletion and amortization	38,935	31,944	75,965	65,386
Interest	6,192	5,262	12,173	10,587
Income and revenue taxes	89,034	83,613	186,289	175,184
	$ 206,715	$ 179,864	$ 422,245	$ 373,729
MINES AND MINERALS				
Cost of goods sold	$ 384,064	$ 340,515	$ 668,550	$ 652,644
Distribution, selling, general and administrative	113,465	96,187	199,434	180,997
Depreciation, depletion and amortization	34,721	34,139	69,305	67,724
Interest	23,590	23,701	46,462	46,196
Income taxes	6,509	8,904	(893)	9,448
	$ 562,349	$ 503,446	$ 982,858	$ 957,009
FOREST PRODUCTS				
Cost of goods sold	$ 464,607	$ 460,479	$ 924,772	$ 916,095
Selling, general and administrative	19,819	19,489	36,447	40,695
Depreciation, depletion and amortization	37,241	32,821	73,126	61,468
Interest	35,280	39,567	72,546	76,713
Income taxes	(3,904)	5,370	(7,465)	1,864
	$ 553,043	$ 557,726	$1,099,426	$1,096,835

3. Canadian Pacific Enterprises Limited - Expenses Including Income Taxes (Continued)

	For the three months ended June 30 1985	1984	For the six months ended June 30 1985	1984
	(in thousands)			
IRON AND STEEL				
Cost of goods sold	$ 702,395	$ 660,157	$1,321,729	$1,284,927
Selling, general and administrative	91,156	84,935	177,733	169,264
Depreciation, depletion and amortization	30,025	31,101	60,514	56,402
Interest	29,117	33,211	60,401	64,477
Income taxes	(791)	(11,624)	(2,623)	(25,859)
	$ 851,902	$ 797,780	$1,617,754	$1,549,211
REAL ESTATE				
Operating expenses and cost of sales	$ 34,455	$ 31,135	$ 66,135	$ 67,820
Depreciation	4,924	3,823	9,549	7,630
Interest	20,669	18,207	41,279	35,343
Income taxes	3,673	5,067	8,126	9,425
	$ 63,721	$ 58,232	$ 125,089	$ 120,218
AGRIPRODUCTS				
Cost of goods sold	$ 194,189	$ 267,317	$ 368,213	$ 494,253
Selling, general and administrative	51,232	46,969	94,635	91,815
Depreciation and amortization	4,064	5,253	8,283	10,333
Interest	3,530	4,532	7,021	9,176
Income taxes	1,859	2,850	3,151	6,468
	$ 254,874	$ 326,921	$ 481,303	$ 612,045
OTHER BUSINESSES				
Operating expenses and cost of goods sold	$ 15,873	$ 11,483	$ 31,687	$ 24,557
Selling, general and administrative	5,008	5,615	9,973	9,502
Depreciation and amortization	1,766	1,535	3,468	3,105
Interest	323	722	640	1,475
Income taxes	2,389	1,563	3,888	2,774
	$ 25,359	$ 20,918	$ 49,656	$ 41,413
FINANCIAL				
General and administrative	$ 6,829	$ 5,727	$ 15,113	$ 11,169
Depreciation and amortization	74	(36)	143	22
Interest	29,208	28,929	60,468	56,048
Income taxes	(545)	899	(559)	747
	$ 35,566	$ 35,519	$ 75,165	$ 67,986

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED

	For the three months ended June 30 1985	1984	For the six months ended June 30 1985	1984
	(in thousands)			
4. Interest Expense	$ 186,837	$ 174,043	$ 368,116	$ 337,541
5. Income Taxes				
Current	$ 105,359	$ 107,717	$ 179,868	$ 207,376
Deferred	36,352	32,545	54,647	26,216
	$ 141,711	$ 140,262	$ 234,515	$ 233,592

6. Shareholders' Equity

On March 28, 1985, all of the Corporation's outstanding 7¼% Cumulative Redeemable Preferred shares, Series A, were called for redemption. The Redemption Agent has been put in funds sufficient to pay the redemption price in respect of each such share outstanding on that date.

On May 1, 1985, the Corporation amended its articles to increase the number of Ordinary shares it is authorized to issue to an unlimited number.

The Corporation's Ordinary and Preference shares were split on a three-for-one basis effective May 17, 1985.

7. Investment Tax Credits

Effective January 1, 1985, Canadian Pacific Limited changed its basis of accounting for investment tax credits from the flow-through approach to the cost reduction approach in accordance with a recent recommendation of the Canadian Institute of Chartered Accountants. This change had the effect of reducing consolidated net income for the first six months by approximately $13 million or 6¢ per share.

8. Presentation of Interim Financial Statements

The unaudited financial statements reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada. Unless otherwise specified, all dollar amounts are expressed in Canadian dollars. For the first six months of 1985, net income on the basis of U.S. GAAP would have been approximately $118 million or 55¢ per share (1984 - $83 million or 38¢ per share). The different accounting treatment for oil and gas activities and foreign exchange (and in 1984 for foreign exchange) accounts primarily for the difference between net income under Canadian and U.S. GAAP.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FINANCIAL CONDITION

At June 30, 1985 CP Limited's consolidated assets amounted to $20,149 million, an increase of $1,353 million from December 31, 1984.

During the first half of 1985 funds from operations totalled $778 million and the issuance of long term debt amounted to $519 million. In addition, there were proceeds of $74 million from the sale of subsidiary companies; Enterprises sold Baker Commodities, Inc. in January and Theresa Friedman & Sons, Inc. in June, and CIP Inc. sold CIP Daxion Inc. in February. With respect to the application of funds, $784 million was for additions to properties, $340 million represented debt reduction and $257 million was used to acquire the railway operations and related net assets of the Milwaukee Road. Working capital decreased $145 million.

The issuance of long term debt during the first six months comprised $138 million which reflected CP Limited's issue in June of U.S. $100 million 10-3/4% debentures due 1993; $170 million which was attributable to Soo Line mainly toward its acquisition of the Milwaukee; and $199 million which came from the subsidiaries of Enterprises, especially AMCA International, CIP Inc., Algoma Steel and Cominco.

Subsequent Development

In July, Enterprises announced the purchase by PanCanadian of all the tax losses and investment tax credits of CIP for $65 million. CIP used the proceeds to reduce its debt. The transaction, which will benefit both CIP and PanCanadian, will result in a total gain at the Enterprises level of approximately $22 million in 1986 as the tax losses are realized. CIP Forest Products Inc. was also merged with CIP Inc. to continue under the name CIP Inc.

RESULTS OF OPERATIONS

While economic prospects in Canada remain favourable, growth in the Company's earnings could continue to be inhibited by weak traffic volumes and generally unsatisfactory rate and price levels.

Comparison of First Six Months 1985 and 1984

Consolidated net income for the first half of 1985 totalled $141.9 million, up $11.0 million from the comparable period of 1984. After adjustment for the three-for-one stock split effective May 17, 1985, earnings per Ordinary share amounted to $0.66, or $0.05 over the first six months of 1984.

The improvement was due largely to reduced losses from Miscellaneous, CP Ships and CP Air and to higher income from Canadian Pacific Enterprises Limited. However, results of CP Rail and Soo Line Corporation were worse than in the first half of 1984.

CP Rail

CP Rail's net income of $59.1 million declined $22.1 million from the first six months of last year. Earnings this year were reduced by approximately $7 million because of a change in the basis of accounting for investment tax credits effective January 1, 1985. The change was in accordance with a recommendation of the Canadian Institute of Chartered Accountants.

Revenues of $1,259.4 million were up $8.5 million. The effects of better freight rates were largely offset by reduced volumes, especially of wheat and other grain which were affected by severe drought conditions in the Prairie Provinces during the summer of 1984.

Expenses totalling $1,200.3 million rose $30.6 million reflecting mainly higher costs of materials and fuel and increased interest expense. Labour expenses, on the other hand, were lower.

CP Rail recently reached agreement with its non-operating railway unions on a new two-year labour contract effective January 1, 1985, providing a general wage increase of 4% per year and certain other benefits. Contracts covering three other major groups have yet to be settled.

CP Air

CP Air's loss of $6.8 million was $5.9 million less than in the first six months of 1984.

A loss of $14.5 million from airline operations was $1.5 million greater, owing to the inclusion this year of a $3.8 million loss from Eastern Provincial Airways which was acquired in August 1984. Operations of the CP airline division showed improvement due to both increased passenger revenue and control of costs.

Hotel operations had a profit of $7.7 million in the first six months. The increase of $7.4 million over the comparable period last year was attributable not only to compensation received in the first quarter for early termination of a hotel management contract but also improved operating results.

CP Air and three unions representing most of the airline's non-management employees recently negotiated labour contracts covering a period of three years. The new agreements, which include work rule changes, are expected to have a favourable impact on operations.

CP Ships

The loss of $3.2 million was $9.8 million less than in the first half of 1984.

Container Operations had a profit of $8.6 million in the six-month period, compared with a loss of $2.0 million in last year's first half. The turnaround stemmed from stronger rates and lower expenses.

Bulk Shipping's loss of $11.8 million was up $862,000 over the first six months of 1984. The effects of weak shipping markets and losses on sale of two vessels were largely offset by income from settlement of a charter dispute.

Soo Line Corporation

CP Limited's 55.7% share of the loss reported by Soo Line amounted to $2.5 million in the first six months, compared with a profit of $4.5 million in the same period of 1984. The deterioration was attributable largely to lower freight traffic and greater interest charges associated with additional borrowings to acquire the Milwaukee Road in February 1985.

Miscellaneous

A loss of $4.2 million from Miscellaneous was $15.7 million less than in the first six months of 1984. Contributing to the improvement were tax benefits related to the recent tube mill partnership arrangement between CP Limited and Algoma Steel, a gain from the early termination of a leasehold interest, reduced interest charges and favourable currency exchange movements.

Canadian Pacific Enterprises Limited

CP Limited's 69.7% interest in Enterprises contributed income of $95.2 million, up $8.3 million over the first half of 1984. There were material changes in results of the following sectors: Oil and Gas, Forest Products and Iron and Steel which all showed improvement, and Mines and Minerals, Agriproducts, and Financial where there were reductions.

Oil and Gas

Enterprises' income from PanCanadian Petroleum amounted to $136.6 million, up $7.5 million over the first six months of 1984.

PanCanadian's revenues of $579 million were up $57 million, while expenses of $422 million rose $48 million. The increases reflected principally higher volumes of oil, natural gas and natural gas liquids.

Mines and Minerals

Net income from Mines and Minerals of $5.3 million during the first six months was down $9.0 million.

Enterprises' loss from Cominco amounted to $2.2 million, in contrast with net income of $10.1 million in the first half of 1984. Cominco's revenues of $836 million were up only $5 million over the first half of 1984, as depressed prices for zinc, lead, silver and gold largely offset the effects of improved prices and volumes of chemicals and fertilizers and increased volumes of zinc and lead concentrates. Included in Cominco's revenues this year was a net gain of $9.4 million on the sale of a part of its interest in Pine Point Mines Limited, whereas in 1984 there was a net gain of $5.2 million arising mainly from the sale of an oil recovery project. Expenses amounting to $832 million increased $27 million, primarily as a result of the higher sales volumes.

Forest Products

The Forest Products sector incurred a loss of $12.3 million, which was a reduction of $20.0 million from the loss recorded in the first half of 1984.

A loss of $14.0 million made by CIP Inc. was $20.9 million lower. CIP's 1984 results were restated to reflect the loss from Pacific Forest Products Limited which became a subsidiary of CIP on January 1, 1985, upon amalgamation with Tahsis Company Ltd. to form CIP Forest Products Inc. Total revenues of CIP were $795 million, up $30 million attributable chiefly to improved newsprint prices and the positive effects from a stronger U.S. dollar. Selling prices for pulp, however, were depressed. Total expenses of $813 million were up $7 million on account of cost increases, partially offset by lower interest expense.

Iron and Steel

The loss of $2.6 million from Iron and Steel was $13.4 million less than in the first six months of 1984.

Enterprises' loss from Algoma Steel was $7.2 million, an improvement of $10.6 million compared with the loss in the first six months of 1984. Algoma's revenues of $604 million were up $16 million owing chiefly to higher shipments and some improvement in product mix. Steel selling prices remained weak. Expenses of $608 million declined $1 million due to cost containment.

Agriproducts

There was a loss of $1.1 million in the Agriproducts sector, compared with net income of $8.6 million in the first half last year. A provision in June for a net loss on the sale by Maple Leaf Mills of its 50% interest in Maple Leaf Monarch Company accounted for $7.3 million of the reduction.

Financial

A loss of $3.2 million, contrasting with income of $5.6 million in the first six months of 1984, was due largely to reduced interest income.

Comparison of Second Quarter 1985 and 1984

CP Limited's consolidated net income in the second quarter amounting to $84.4 million, or $0.39 per Ordinary share, decreased $13.1 million, or $0.07 per share, from the same period last year.

Major reductions occurred in results of Canadian Pacific Enterprises Limited, CP Rail and Soo Line Corporation. On the other hand, there was a substantial decrease in the loss from Miscellaneous.

CP Rail

Net income from CP Rail amounted to $45.8 million, a decrease of $6.5 million from the second quarter last year. The change in accounting for investment tax credits had the effect of lowering net income by $5 million in the second quarter this year.

Revenues of $661.3 million rose $8.6 million reflecting higher freight rates, partially offset by reduced traffic levels. The most substantial declines occurred in wheat and other grain traffic reflecting the severe drought in the Prairie Provinces during the summer of 1984.

Total expenses amounted to $615.5 million, an increase of $15.1 million. Higher material costs and increased interest expense more than offset reduced labour expenses.

Soo Line Corporation

CP Limited's 55.7% share of Soo's loss amounted to $4.0 million in the second quarter. This was in contrast with income of $1.1 million from Soo in the comparable quarter of 1984. As in the first six months, Soo's freight traffic fell and interest expense was higher due to the Milwaukee purchase.

Miscellaneous

A loss of $1.5 million from Miscellaneous was $9.9 million less than in the second quarter of 1984, with the chief reasons being favourable currency exchange fluctuations and tax benefits arising from the CP Limited/Algoma Steel tube mill partnership arrangement.

Canadian Pacific Enterprises Limited

In the second quarter of 1985 CP Limited's share of income from Enterprises amounted to $41.0 million, a decrease of $15.3 million from the comparable period of last year. The Mines and Minerals and Agriproducts sectors were largely responsible for the reduction in income.

Mines and Minerals

Income of $3.2 million from Mines and Minerals in the second quarter was down $8.9 million from the same quarter of 1984.

Enterprises' income from Cominco decreased $9.5 million in the second quarter. Cominco's revenues of $483 million were up $31 million reflecting mainly increased sales volumes of zinc and lead concentrates and chemicals and fertilizers, partially offset by the effects of lower prices for zinc, lead, silver and gold. Cominco's revenues in the second quarter of 1984 also included a net gain of $5.2 million due mostly to the sale of an oil recovery project. Expenses of $479 million rose $48 million due to the higher sales volumes.

Agriproducts

The loss of $3.3 million posted by the Agriproducts sector contrasts with a profit of $3.5 million in the second quarter of 1984. The reversal was caused by the provision in June for a net loss of $7.3 million on the sale by Maple Leaf Mills of its 50% interest in Maple Leaf Monarch Company.

PART II - OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

Annual General Meeting of shareholders held on May 1, 1985
- Report of proceedings incorporated by reference (See Item 6(a).

Item 5. Other Events

On June 26, 1985 Power Corporation of Canada (Power) and Consolidated-Bathurst Inc. (an affiliate of Power) announced that they had agreed to sell 10,104,600 and 1,261,400 Ordinary shares respectively of Canadian Pacific Limited (the Corporation) for distribution to the public for an aggregate purchase price of Cdn. $218,795,500.

Mr. Paul G. Desmarais, O.C., a director of the Corporation, is Chairman and Chief Executive Officer and controlling stockholder of Power, and is deemed under regulations of the United States Securities and Exchange Commission (SEC) to have been a beneficial owner of the Corporation's shares sold by Power and Consolidated-Bathurst Inc. Mr. James W. Burns, also a director of the Corporation, is President and a director of Power and may also be deemed under the same regulations to have been a beneficial owner of the Corporation's shares sold by Power and Consolidated-Bathurst Inc.

As at March 11, 1985, Mr. Desmarais was, under regulations of the SEC, deemed to be a beneficial owner of 24,669,852 Ordinary shares (as determined after the three-for-one share split effective May 17, 1985) representing 11.48% of the Ordinary shares of the Corporation then outstanding; Mr. Desmarais disclaims beneficial ownership of 14,565,252 shares not owned by Power directly. Under the same regulations, Mr. Burns may also have been deemed to be a beneficial owner of the same shares; Mr. Burns also disclaims beneficial ownership of shares not owned by Power directly.

The agreement dated December 15, 1981 between the Corporation, Power and Mr. Desmarais, relating to the ownership and voting of the Corporation's shares, continues in effect.

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits
Exhibit No. 11 Statement re Computation of Per Share Earnings.

Exhibit No. 23 Copy of Report of Proceedings May 1, 1985 of the 104th Annual General Meeting of Shareholders, Canadian Pacific Limited.

b) Reports on Form 8-K
No reports on Form 8-K were filed for the three months ended June 30, 1985.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Canadian Pacific Limited
(Registrant)

Date August 12, 1985

(Sgd.) J.P.T. CLOUGH
J.P.T. Clough
Vice-President
Finance and Accounting

Date August 12, 1985

(Sgd.) J. THOMSON
J. Thomson
Comptroller

CANADIAN PACIFIC LIMITED

Statement re Computation of Per Share Earnings

	For the three months ended June 30		For the six months ended June 30	
	1985	1984	1985	1984
	(in thousands, except per share amounts)			
Net income	$ 84,426	$ 97,553	$141,941	$130,913
Deduct: Dividends on preferred and preference shares	131	341	442	690
Adjusted net income	$ 84,295	$ 97,212	$141,499	$130,223
Ordinary shares outstanding	214,987	214,987*	214,987	214,987*
Earnings per Ordinary Share	39¢	46¢	66¢	61¢

* After adjusting for the three-for-one share split effective May 17, 1985.

Report of Proceedings of the One Hundred and Fourth Annual Meeting of Shareholders held at Calgary, Alberta, on Wednesday, May 1, 1985.

The meeting assembled in accordance with the convening notice at 11:00 a.m., Calgary time, at The Palliser Hotel, Calgary, Alberta.

In accordance with the by-laws of the Corporation, the Chairman of the Corporation, Mr. F.S. Burbidge, presided and the Secretary of the Corporation acted as secretary of the meeting.

There were 103 shareholders and proxyholders present at the meeting. A total of 54,157,124 votes were represented consisting of 54,137,593 votes in respect of which proxies had been deposited with the Corporation in accordance with the proxy requirements set forth in the notice calling the meeting and 19,531 votes represented by shareholders who attended the meeting in person.

The Chairman informed the meeting that the Secretary had deposited with him a statutory declaration establishing the publication of newspaper advertisements and the giving of written notice as required by Section 128 of the Canada Business Corporations Act (CBCA) and in addition the sending of notice of the time and place of the meeting to each shareholder entitled to vote thereat and to each director and to the auditors of the Corporation as required by Section 129 of the CBCA. The Chairman then declared the meeting to be regularly called and properly constituted for the transaction of business.

With the approval of the meeting, the Chairman named Mr. R.E. Francis and Mr. M. Guitard, both employees of The Royal Trust Company, to act as Scrutineers.

The Chairman introduced members of the Board of Directors and referred to the retirement from the Board at this meeting of Mr. A.M. Runciman, O.C. He and the shareholders acknowledged Mr. Runciman's significant contribution to the affairs of the Corporation during his more than 16-year tenure as a director of the Corporation.

He then introduced Mr. C. Douglas Reekie, a nominee to fill the vacancy on the Board, as well as representatives of the Corporation's auditors.

The Chairman then introduced two members of the audience. The first was Mr. N.R. Crump, a former Chairman and Chief Executive Officer and a Director of the Corporation from 1949 to 1972. The second was Mr. T.H. Lawson, a former Assistant Secretary of the Corporation who was attending his fifty-fifth consecutive annual meeting of shareholders.

The Chairman outlined the financial results for the first quarter of 1985 and informed the meeting as follows:

> "As shareholders know, the Corporation has had a Dividend Reinvestment Plan since 1977 and under that plan, shares are purchased on the market. I am pleased to announce that earlier today the Board of Directors approved a number of changes to that plan that I believe will be of interest to you. Effective August 30th, the plan will cease to be a market purchase plan and will become a treasury share plan. Shares will continue to be issued at market price but will no longer attract brokerage commissions. Since new shares will be issued under the plan, it is expected that these shares will qualify for inclusion in a Quebec Stock Savings Plan. In addition, I should mention that cash payments will be increased from $6,000 per year to $20,000 per year, and that these payments will now be accepted on a monthly rather than a quarterly basis.
>
> The directors have also approved a new Stock Dividend Plan to come into effect on August 30th. This plan will have generally the same terms as the Dividend Reinvestment Plan but will allow shareholders to elect to receive stock dividends rather than cash dividends and since these dividends attract a different tax treatment, the existence of the two plans will allow shareholders to opt for the plan that best suits their individual circumstances. After the necessary regulatory approvals have been obtained, you will receive more detailed information about these plans and how you may participate in them."

Mr. Austin G.E. Taylor moved and Mr. Bryce W. Douglas seconded the following resolution concerning the confirmation of minutes of the Annual and Special General Meeting of Shareholders held on May 2, 1984:

RESOLVED, that reading of the minutes of the Annual and Special General Meeting of Shareholders, held on May 2, 1984, be dispensed with and that said minutes be taken as read and confirmed.

The question having been put to a vote, the Chairman declared the motion carried.

The Chairman then addressed the meeting as follows:

The Chairman:

Ladies and Gentlemen:

No matter how many times I cross this country, I still find it hard to grasp completely how much we and our ancestors have accomplished in not much more than 100 years.

The wonder of it all strikes me even more forcefully when I'm in the West and look around at what we have fashioned out of the emptiness that greeted the early pioneers when they settled here and began to build a new world.

When I see the oil and gas wells, the pipelines, the farms, the cities and sense the culture and the spirit that exist here today, I take a renewed pleasure in our past and get a fresh jolt of excitement about our future.

Then I remember some lines Bruce Hutchison wrote in his book "The Unknown Country" back in 1942.

In his preface entitled "My Country" he wrote "A backward nation they call us beside our great neighbour – this though our eleven millions have produced more, earned more, subdued more and built more than any other eleven millions in the world."

Even though we've more than doubled the millions, I think the point is still worth remembering.

It is now more than 40 years since Bruce Hutchison wrote those words. Some of those years have been easy; but others have not.

Certainly, the last few years have been trying on all fronts.

Many of the economic beliefs so many of us held to be absolute turned out, in fact, to be only shells. We've learned there are no automatic markets for our natural resources and that even our vast reserves of oil and gas cannot, after all, protect us from the turmoil in world energy markets.

Worse – much worse – we now know that inflation and unemployment can join to become a double-edged knife, drawing the blood from so many of our companies and the hopes from too many of our people.

Here in the West, the disillusionment has been so great because the dreams were piled so high.

Our pain of recent years has, I think, made all of us feel a little less sure of our nerve.

In Western Canada, there is that added anguish that comes from the feeling that, just when we had our chance, it was snatched away.

But, maybe, the future is brighter than we think.

If, as analysts often say, the Canadian Pacific family of companies is actually a mirror of the Canadian economy, the news is good.

You've all seen our results. Last year was substantially better than 1983.

Much of that improvement came through Canadian Pacific Enterprises companies active in oil and gas, mines and minerals, forest products and iron and steel.

The job of carrying some of those commodities, with other products, also brought a solid performance on the railway's part.

You'll note that several of those CPE groups and the railway itself are strongly western-based. Perhaps that shows that the skeptics who had written off those businesses were a bit premature.

We think so. In fact, we see nothing to convince us that the company's faith in Western Canada has been misplaced.

That faith has been of rather long duration.

It will be 100 years next November since a group of railwaymen and officials stood around at Craigellachie, a lonely spot not far from Revelstoke, to watch Donald Smith pound a plain iron spike, joining the rails from West to East.

To those on the scene in 1885, the driving of the Last Spike was the sign that they had succeeded in summoning the incredible ingenuity and perseverance to do something many said could not be done.

But to most of them, it was more than that. They believed they were building more than a railway. They knew they were helping to build a nation.

From the words they wrote at the time, I know they really did see themselves as nation-builders.

I often wonder how those gruff pioneers would react if we could invite them to CP Rail's anniversary celebration this summer to show them their Canada a century later.

I wonder what they would say if we could take them into the Selkirks they dreaded so much to show them the building of the new tunnel at Rogers Pass – the railway's single largest undertaking since their day.

The word "megaproject" would be new to them, but, after one glance, I'm sure they would understand its meaning.

They would be delighted, I think, and maybe even a bit overwhelmed, when we told them why Canadian Pacific's present-day shareholders and employees have made such a significant commitment to retunnel and double-track the Pass.

Those men might find the $600-million price tag hard to fathom since they laid 3,000 miles of track through virgin and almost impossible terrain for little more than a sixth that much.

But when we started to talk about increasing capacity and productivity and efficiency to make sure the ever-growing volume of Canadian goods gets to market at the lowest possible cost, they might say among themselves that even if the size of the challenge has changed, the spirit hasn't.

Then when we brought them up to date and told them how the promise of the West they believed in so bravely has been fulfilled beyond their wildest imaginings – of the coal, the grain, the sulphur, the potash and the manufactured products that move each day across this huge land – I think even the most sober of them would manage a grudging smile.

And I'd love to be able to watch the look in their eyes when we went on to describe what their company has become. Canadian Pacific, today, we would say, is much, much more than a railway.

A hundred years after that misty day at Craigellachie, Canadian Pacific has truly bet on Canada, investing in many of the industries that make the modern country tick.

Air travel and telecommunications we would probably have to explain a bit, like trucking and container shipping and agriproducts.

But, they would have no trouble with mines and minerals, oil and gas, real estate, pulp and paper or manufacturing and steel.

No doubt that earlier smile would broaden somewhat when we told our founders that for many years now, this company has been thoroughly Canadian.

In fact, Canadian Pacific – and here we might brag a little – is one of the most widely held of all Canadian companies – owned by small shareholders and bigger ones from one coast to the other.

And when they had taken in all we'd told them, I think I know what would happen next.

"Fine," their spokesman would say. "What you say is good. You've made us very glad we came.

"But you've talked to us only about the past and the present. Tell us what you see in the future – in the next hundred years for this company and this country you seem to love.

"Tell us where the new struggles lie. Tell us how your Canadian Pacific will play its part in the next century of nation-building."

And perhaps it would be Van Horne who would add: "And tell it to us straight."

So that is what we would try to do.

Canada, we'd say, is no longer on the fringe of the world, as it might have seemed in their time.

Today, we live right in the middle of an immensely vital international economic community in which every country is trying to sell the most and buy the least from its trading partners so it can create the richest life and the most opportunity for its people.

For Canadians in 1985 – and for as long as we can see into the future – that means we can no longer coast on our advantages.

From now on, we have to make the most productive use of every resource we have.

Our listeners would probably wonder why we're telling them something so obvious. "Isn't that the way it's always been?" one of them might ask.

We would have to agree.

But then, if we were telling the truth, we'd have to admit that a lot of us – not only in Canada, but almost everywhere in the Western world – neglected those basics after we hit the good years when everything seemed so easy.

In some of our companies and institutions, we were so carried away with growth and expansion, we got sloppy about analyzing our costs, our markets, our quality and our service.

We got to thinking that a great, glorious future was ours just for the taking. So we took it – or at least we tried to.

And while we were all chasing after that impossible dream, we were actually squandering much of what we had built so painstakingly.

If we ourselves have learned nothing else from the agonies of the recession, we have learned that misusing a resource – whether it's capital, equipment, materials or, most precious of all, the creative energy of individuals – exacts a horrendous price from our companies and our communities.

We would have to tell those by now stern-faced men around us that to-day about a million-and-a-half Canadians who want and need to work, cannot find jobs.

And even after we explained the social assistance programs we now have to ease the greatest of the pain, they would tell us right out that it isn't good enough – not for long.

No country, they might add, ever achieves its full potential if so many of its people feel permanently trapped on the sidelines, unable to prosper by their own efforts or to make any real addition to the common good.

Then one, maybe Van Horne again, would mutter, "We understand now what Canada is up against. Tell us what must be done."

Canadians, we'd say, have to abandon the bad habit we've developed in the last few years of thinking that when something goes wrong, it's up to government to put it right.

We have to learn again to say "Yes, it's up to us" and our governments have to remember to say "No, it's really up to you. We can only help."

On that score, we couldn't find better teachers anywhere than those men surrounding us. To them, the resourcefulness and the daring of individuals harnessed together was the best force invented to make a country grow.

They didn't have to think about it; that sense of self-reliance was in their blood.

In 1886, George Stephen was able to report to shareholders that within several months, Canadian Pacific would have discharged its obligations to the government and paid back all its government loans, five years before they were due.

"In the future," he added, "the company will neither expect nor need anything from the government but fair treatment and earnest and judicious effort in the important work of settling up the country, developing its resources and promoting the general prosperity of the whole people of the Dominion.

"In all of which it will have the hearty co-operation of the company."

"Ah yes," Stephen might say to us. "That is the bargain we made.

"But, now gentlemen, let's talk about Canadian Pacific."

The first thing we'd tell them is that we will continue to build on what has been built so far – a family of successful companies in which people can make their own contribution and be rewarded and which, over all, adds enormously to the greater wealth of the country.

We will continue to support the companies that do well now and help them grow. And we will continue to improve the ones that can do better.

Then we will have to be eternally alert for new methods, new products, new services that will genuinely satisfy the needs and wants of our customers wherever we can find them in that global community.

The broad base of our existing activities gives us many windows through which to watch for prospective new developments world-wide.

Our accent on people and our reliance on the management of the individual unit gives us the flexibility to take advantage of the opportunities with real merit.

Being even partly right about what will work in the future, though, is the tricky part.

We will have to do our homework very thoroughly, so that when we commit money and jobs to a new venture, we are as sure as anyone can be in an unpredictable world, that we have identified a solid trend and not merely been seduced by an alluring fad.

Canadian Pacific is not a trendy company, after all. It is in business for the long haul.

When we began to move beyond our initial businesses of transportation and communications, the managers of the time looked for industries that were fundamentally sound – that would endure.

Those two criteria have been the watchwords ever since.

No matter how fierce or how fluid the competition becomes in Canada or beyond, I doubt the people of Canadian Pacific will ever find better yardsticks by which to measure their decisions than soundness and endurability.

I wouldn't be able to tell those builders of yesteryear – and I can't tell you here to-day – precisely what the mix of Canadian Pacific's business will be, down the road, as technology and markets go on evolving.

I can tell you only that our company will be evolving with them – prudently.

In the simplest terms, the answer to Van Horne's question is that Canadian Pacific must continue to strive

to be the best – both at what we do well already and at whatever new endeavours we grow into.

When we succeed, it pays off in dollars and cents for our employees and our shareholders, of course. But the real bonus is much more widespread than that.

Our customers benefit, because from us, they get the best possible product at the best possible price. And that gives them an added chance to pass on the same rewards to their employees and shareholders and customers.

Even our competitors benefit, because if we are the best, they have to try to be better.

This competition forces us all to make the most creative use of all our resources – especially the most irreplaceable – the inventiveness of the human mind.

This constant endeavour to excel is really, it seems to me, the working of the free market at its most productive. It's the way the system passes on the greatest good to the greatest number.

We are convinced that the ultimate test of the worth of any enterprise is how well it plays its role in that process.

When we in our companies match the goals I've talked about, we accomplish many things.

We create new, interesting and lasting jobs at home, not only in our own businesses, but in the thousands of firms which sell to us and buy from us.

By using the best technology, no matter where it originates, we help make Canada an active, aggressive and successful player in the unforgiving struggle for world markets.

As a result, we help make a bigger pie for all Canadians to share. And we help provide opportunity for individual Canadians to develop their skills and make their mark.

That may not seem as dramatic as laying a steel road across the wilderness, but it is nation-building all the same.

Nothing fundamental has changed in Canada since Bruce Hutchison wrote the words I quoted at the beginning.

Canadians have always had to scratch and adapt and experiment to survive. Despite the disappointments of the past few years, our nerve hasn't really forsaken us.

We still have, within us – here in the West and across this country – the resolve and courage we need to seize the new chances. And there are many.

If our famous visitors choose to come back another century from now, I know they will find a better, more vital Canada to observe – and a stronger Canadian Pacific too.

And they'll also find a whole raft of new wonders to excite their souls.

On behalf of the directors, the Chairman then placed before the meeting the Report of the Directors, accompanying Consolidated Financial Statements and Report of the Auditors thereon for the year ended December 31, 1984, pursuant to the requirements of Section 149 of the CBCA.

The Chairman then informed the shareholders that there were four matters of business to be voted on at the meeting. Two matters related to amendments to the articles requiring special resolutions and those would be voted on by ballot. The other two matters relating to the election of directors and the appointment of auditors would be dealt with by ordinary resolution. With regard to these matters, he declared to the meeting that, if ballots were taken on those resolutions, the total number of votes attached to shares represented at the meeting by proxy required to be voted against what to his knowledge would be the decision of the meeting on those matters, was less than 5% of all the votes that might be cast on such ballots and that he had therefore decided to conduct the votes by a show of hands unless a shareholder demanded a ballot.

The meeting then proceeded to the election of three directors for a term of three years, three directors for a term of two years and one director for a term of one year. The Chairman advised that under the CBCA shareholders are required to elect directors by ordinary resolution. Mr. C.E. Medland moved and Mr. James W. Snowdon seconded the following resolution:

RESOLVED, that A.S. Kingsmill, Q.C., Stanley A. Milner and Claude Pratte, Q.C. be and they are hereby elected directors for a term of three years; that Donald C. Matthews, C. Douglas Reekie and W.W. Stinson be and they are hereby elected directors for a term of two years; and that The Rt. Hon. Lord Polwarth, T.D., D.L. be and he is hereby elected a director for a term of one year.

There being no discussion on the motion, the question was put to a vote and the Chairman declared the motion carried. He declared that A.S. Kingsmill, Q.C., Stanley A. Milner and Claude Pratte, Q.C. had been elected directors for a term of three years, that Donald C. Matthews, C. Douglas Reekie and W.W. Stinson had been elected directors for a term of two years; and that The Rt. Hon. Lord Polwarth, T.D., D.L. had been elected a director for a term of one year.

The Chairman stated that the next order of business was the appointment of auditors. Mr. Latham C. Burns moved and Mr. Peter L. Jones seconded the following resolution:

RESOLVED, that Price Waterhouse be and they are hereby appointed auditors of the Corporation to hold office until the close of the next Annual Meeting of Shareholders.

The question having been put to a vote, the Chairman stated that the motion had been carried and he declared accordingly.

The Chairman then stated that the notice calling the meeting had indicated that two special resolutions would be presented. He said that shareholders will be asked to consider and, if thought advisable, to pass a special resolution to amend the articles of continuance of the Corporation to subdivide its Ordinary Shares and its Preference Shares on a three-for-one basis and to make certain consequential amendments to the said articles. He said that shareholders will also be asked to consider and, if thought advisable, to pass a special resolution to amend the articles of continuance of the Corporation to change the maximum number of Ordinary Shares that the Corporation is authorized to issue from 100,000,000 to an unlimited number. The Chairman informed the shareholders that the reasons for this action were outlined in the proxy statement mailed to all shareholders with the notice calling this meeting; that the full texts of the special resolutions were attached as Schedules I and III to the proxy statement; that, to become effective, the first

special resolution required approval by a majority of not less than two-thirds of the votes cast by the holders of the Ordinary and Preference Shares present or represented at the meeting and voting together on the resolution and also by a majority of not less than two-thirds of the votes cast by the holders of Preference Shares present or represented and voting on the resolution separately as a class; that, to become effective, the second special resolution required approval by a majority of not less than two-thirds of the votes cast by the holders of the Ordinary and Preference Shares present or represented at the meeting and voting together on the resolution; and that both resolutions were unanimously recommended to the shareholders by the Board of Directors of the Corporation.

The Chairman informed the meeting that, because of its length and since its terms were set out in full in Schedule I to the proxy statement, reading of the first special resolution would be dispensed with. Mr. Stephen H. Wood moved and Mr. Lawrence A. Johnson seconded the following resolution:

RESOLVED, that the special resolution, as set out in Schedule I to the proxy statement dated March 11, 1985, be and it is hereby passed.

The terms of the said special resolution as set out in the said Schedule I are as follows:

RESOLVED as a special resolution that:

1. The articles of continuance of the Corporation be amended to subdivide the issued and unissued Ordinary Shares and Preference Shares at the close of business of the registered office of the Corporation on May 17, 1985 on a three-for-one basis.
2. The following additional amendments consequential to the subdivision of shares be made to the articles to come into effect upon the subdivision becoming effective:

   (i) the maximum dividend payable on each Preference Share be reduced from $0.12 per Canadian Dollar Preference Share per annum and £0.04 per Sterling Preference Share per annum to $0.04 and £0.01⅓ per annum, respectively, so that paragraph 2.c) of Schedule A to the said articles shall be amended to read as follows:

   "c) As to dividends the Preference Shares shall take priority over Ordinary Shares up to, but not exceeding 4% per annum, being $0.04 per Canadian Dollar Preference Share per annum and £0.01⅓ per Sterling Preference Share per annum, and shall not receive at any time a dividend at a higher rate than 4% per annum or in excess of these amounts. Dividends on the Preference Shares shall not be cumulative and if for any period or periods the dividends on such Preference Shares be less than 4% per annum, being $0.04 per Canadian Dollar Preference Share per annum or £0.01⅓ per Sterling Preference Share per annum, the deficiency or any part of it shall not be made good afterwards.
   A holder of a fraction of a Preference Share is entitled to receive a dividend in respect of that fraction.";

   (ii) the references in paragraph 2) appearing under the heading "SHARES" in Schedule A to the said articles to $5 of ordinary stock and to $3 and to £1 of preference stock be changed to $1.66⅔ of ordinary stock and to $1 and to £0.33⅓ of preference stock, respectively, so that the said paragraph shall be amended to read as follows:

   "2) a number of Preference Shares without nominal or par value such that the amount of preference stock outstanding may equal but shall not exceed at any time ½ the aggregate amount of the ordinary stock then outstanding and that the authorized capital of the Corporation shall be decreased by the preference stock of the Corporation surrendered in consideration of preferred shares of the Corporation and cancelled prior to its continuance under the Canada Business Corporations Act, for such purpose each Canadian Dollar Preference Share and each Sterling Preference Share being deemed to be the equivalent of $1 and £0.33⅓ respectively of preference stock and each Ordinary Share being deemed to be the equivalent of $1.66⅔ of ordinary stock,";

   (iii) the references in paragraph 2.e) of Schedule A to the said articles to $3 of such preference stock and to £1 of such preference stock be changed to $1 and to £0.33⅓ of such preference stock, respectively, so that the said paragraph be amended to read as follows:

   "e) The rights of the holders of the Preference Shares on dissolution shall be determined on the basis of the provisions applicable to the preference stock of the Corporation immediately preceding its continuance under the Canada Business Corporations Act and in accordance with the provisions applicable to the other classes of shares of the Corporation and for that purpose each Canadian Dollar Preference Share shall be deemed to be $1 of such preference stock and each Sterling Preference Share shall be deemed to be £0.33⅓ of such preference stock and the provisions applicable to the Ordinary Shares and the Preferred Shares shall be deemed to be those applicable to the ordinary stock and the preferred shares respectively of the Corporation immediately preceding such continuance.";

   (iv) the references in section 6 of Schedule C to the said articles to $3 and £1 of preference stock be

changed to \$1 and £0.33⅓ of preference stock, so that the said section shall be amended to read as follows:

> "6. The Corporation may at any time and from time to time on such terms and conditions as the directors of the Corporation may from time to time prescribe issue any of the Preferred Shares of the Corporation in consideration of the surrender of any Preference Shares of the Corporation, provided that what would be the par value of any such Preferred Shares so issued if each of them were a preferred share having a par value of \$10 shall not exceed what would be the par value of the Preference Shares so surrendered, for such purpose each Canadian Dollar Preference Share and each Sterling Preference Share being deemed to be \$1 and £0.33⅓ respectively of preference stock. Any Preference Shares so surrendered shall be cancelled and the authorized and issued capital of the Corporation shall be thereby decreased.";

(v) the references in section 8 of Schedule C to the said articles to \$3 and £1 of preference stock be changed to \$1 and £0.33⅓ of preference stock, so that the said section shall be amended to read as follows:

> "8. Except to the extent otherwise required by the Canada Business Corporations Act, Preference Shares and Preferred Shares shall be issued in accordance with the provisions applicable to the preference stock and preferred shares respectively of the Corporation immediately preceding its continuance under the Canada Business Corporations Act and for such purpose each Canadian Dollar Preference Share shall be deemed to be \$1 of such preference stock, each Sterling Preference Share shall be deemed to be £0.33⅓ of such preference stock and each Preferred Share shall be deemed to be 1 such preferred share.";

(vi) a subsection 2) be added to section 11 of Schedule C to the said articles for the purpose of determining the rights of the holders of the Preference and Preferred Shares on dissolution, so that the said subsection shall read as follows:

> "2) Upon the first subdivision of the Ordinary Shares and Preference Shares on a three-for-one basis becoming effective, for the purpose of determining the rights of the holders of the Preference Shares and of the Preferred Shares on dissolution in accordance with the rights, privileges, restrictions and conditions respectively attached thereto, each Ordinary Share and each Canadian Dollar Preference Share and Sterling Preference Share shall be deemed to be \$1.66⅔ of ordinary stock and \$1 and £0.33⅓ of preference stock respectively."

3. The proper officers of the Corporation be and they are hereby authorized and directed to sign and deliver for and on behalf of the Corporation articles of amendment and to sign and deliver such other notices and documents and to do such other acts and things as may be considered necessary or desirable to give effect to this special resolution.

A poll first was conducted by ballot in which the holders of the Ordinary and Preference Shares present or represented at the meeting voted together on the foregoing resolution and then a poll was conducted by ballot in which the holders of Preference Shares present or represented at the meeting voted separately as a class on the foregoing resolution.

The Chairman instructed the Scrutineers to retire, tabulate the ballots and provide the Chair with a separate Scrutineers' Report on each of the two polls.

The Chairman recessed the meeting until receipt of the Scrutineers' Reports on the polls. At the conclusion of the recess, the Chairman called the meeting to order. He then read and adopted the Scrutineers' Report on the poll of the holders of the Ordinary and Preference Shares voting together on the foregoing resolution. He said that 53,815,361 votes had been cast for the resolution and that 219,114 votes had been cast against the resolution. He declared the motion carried by a majority of more than two-thirds of the votes cast by the holders of the Ordinary and Preference Shares present or represented at the meeting and voting together on the special resolution.

The Chairman then read and adopted the Scrutineers' Report on the poll of the holders of Preference Shares only voting separately as a class on the foregoing resolution. He said that 4,040,352 votes had been cast for the resolution and that 4,771 votes had been cast against the resolution. He declared the motion carried by a majority of more than two-thirds of the votes cast by the holders of Preference Shares present or represented at the meeting and voting on the resolution separately as a class.

The Chairman directed that the Scrutineers' Reports be annexed to the minutes of the meeting.

The Chairman stated that the next item of business to come before the meeting was the second special resolution, which was set forth as Schedule III to the proxy statement. Mr. J. Brian Aune moved and Mr. Terrance K. Salman seconded the following resolution:

RESOLVED, as a special resolution that:

1. The articles of continuance of the Corporation be amended to change the maximum number of Ordinary Shares that the Corporation is authorized to issue from 100,000,000 to an unlimited number.

2. The proper officers of the Corporation be and they are hereby authorized and directed to sign and deliver for and on behalf of the Corporation articles of amendment and to do such other acts and things as may be considered necessary or desirable to give effect to this special resolution.

During discussion and in reply to a question, shareholders were informed that the purpose of the special resolution to amend the articles to change the maximum number of Ordinary Shares that the Corporation is authorized to issue to an unlimited number was to facilitate the raising of additional equity capital in the future, and that having an unlimited number of shares is a practice that has been adopted by many companies.

A poll was conducted by ballot in which the holders of Ordinary and Preference Shares present or represented at the meeting voted together on the foregoing special resolution.

The Chairman instructed the Scrutineers to retire, tabulate the ballots and provide the Chair with a Scrutineers' Report on the poll.

The Chairman then addressed the meeting, as follows: ''Ladies and Gentlemen, for some time now it has been my intention to retire as an Officer of the Corporation at the 1986 Annual Meeting and in order to effect an appropriate transition, I have proposed to the Board of Directors that at the meeting of the Board to be convened following this meeting they elect a new Chief Executive Officer and that I continue as Chairman of the Corporation. The Board has requested me to tell you that it is their intention to elect Mr. W.W. Stinson as President and Chief Executive Officer of the Corporation and to elect me as Chairman.

I am sure all of you know Bill Stinson. He has demonstrated that he is an outstanding President and I know he can and will handle his new role as Chief Executive Officer in the same competent and professional way that he has carried out his duties as President.

We all wish him well in his new role. I think it says something about this Company that in addition to the qualities I have described, he is a fourth generation Canadian Pacific man.''

The Chairman recessed the meeting until receipt of the Scrutineers' Report on the poll. At the conclusion of the recess, the Chairman called the meeting to order. He then read and adopted the Scrutineers' Report on the poll of the holders of the Ordinary and Preference Shares voting together on the foregoing special resolution. He said that 51,456,557 votes had been cast for the resolution and that 2,133,556 votes had been cast against the resolution. He declared the motion carried by a majority of more than two-thirds of the votes cast by the holders of the Ordinary and Preference Shares present or represented at the meeting and voting together on the special resolution.

The Chairman directed that the Scrutineers' Report be annexed to the minutes of the meeting.

There being no further business, Mr. Francis B. Lamont moved and Mr. Harold Barry Johnson seconded the following resolution:

RESOLVED, that this meeting do now terminate.

The question having been put to a vote, the Chairman declared the motion carried and the meeting terminated.

F. S. Burbidge

Chairman

Secretary

At a meeting of the Board of Directors held after the shareholders' meeting, Mr. F.S. Burbidge was appointed Chairman and Mr. W.W. Stinson was appointed President and Chief Executive Officer.

The following were appointed members of the Executive Committee:

Mr. F.S. Burbidge
Mr. Robert W. Campbell
Mr. Paul Desmarais, O.C.
Mr. W. Earle McLaughlin, O.C.
Mr. Paul L. Paré, O.C.
Mr. Claude Pratte, Q.C.
Mr. W.W. Stinson
Mr. Ray D. Wolfe, C.M.

Canadian Pacific Limited

Report to Shareholders for Six Months Ended June 30, 1985

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Report for the six months ended June 30, 1985

Canadian Pacific Limited

To the Shareholders:

Consolidated net income of $141.9 million for the first six months was up $11.0 million from the corresponding period of 1984. After adjustment for the three-for-one stock split effective May 17, 1985, earnings per Ordinary share amounted to $0.66, an increase of $0.05 over the first half of last year.

During the second quarter the Company's earnings were $84.4 million, or $0.39 per Ordinary share, a decrease of $13.1 million, or $0.07 per share, from the comparable quarter of 1984. Canadian Pacific Enterprises Limited and railway operations had disappointing results during the quarter, while there was a substantial reduction in the loss from Miscellaneous.

In accordance with the recommendation, effective January 1, 1985, of the Canadian Institute of Chartered Accountants, the Company changed its basis of accounting for investment tax credits. This resulted in a reduction of approximately $13 million in consolidated net income for the first six months, of which about $7 million pertained to CP Rail.

Transportation

Net income from CP Rail declined $22.1 million during the first six months, as marginally higher revenues were surpassed by increased expenses. A poor grain crop, resulting from severe drought conditions in the Prairie Provinces during the summer of 1984, has had a particularly harmful impact on railway traffic and revenues. Although labour expenses were curtailed, costs of materials and fuel continued to rise and interest charges increased.

CP Rail recently reached agreement with its non-operating railway unions on a new two-year labour contract effective January 1, 1985. The settlement provides for a general wage increase of 4% per year along with certain other benefits. Contracts covering three other major groups have yet to be settled.

The loss from CP Air, which comprises airline and hotel operations, was $5.9 million less than in the first half of 1984. Earnings from CP Hotels of $7.7 million were up $7.4 million, reflecting not only compensation received in the first quarter for the early termination of a hotel management contract but also better operating performance. The loss from airline operations was $1.5 million greater, due to the inclusion this year of a loss of $3.8 million from Eastern Provincial Airways which was acquired in August 1984. Improved results of the CP airline division stemmed from both increased passenger revenue and cost control. Negotiations on new three-year labour contracts were recently completed between CP Air and three unions representing most of the airline's non-management employees. It is expected that the new agreements, which include work rule changes, will have a favourable impact on operations.

The marked reduction in the loss from CP Ships for the first six months was achieved on the strength of Container Operations, which earned a profit of $8.6 million, compared with a loss of $2.0 million in the corresponding period of 1984. Stronger rates and reduced expenses were the predominant reasons for the turnaround. Bulk Shipping's loss of $11.8 million was $862,000 greater than in the first half of 1984. This was the result of market weakness and, as reported in the first quarter, losses on the sale of two vessels, largely offset by income from settlement of a charter dispute.

Results of CP Trucks, although slightly worse in the first six months, showed improvement during the second quarter. Further progress was made in curtailing costs through rationalization programs, which helped to alleviate the effects of industry wide over-capacity and pressure on rates.

Soo Line Corporation incurred a loss during the first six months, of which CP Limited's 55.7% share amounted to $2.5 million. This was in contrast to a profit of $4.5 million in the first half of 1984. Soo's freight traffic was lower and interest charges rose, especially during the second quarter, as a result of additional borrowings to purchase the Milwaukee Road in February 1985.

Volume growth contributed largely to an increase in earnings from CP Telecommunications during the first six months.

The reduction of $15.7 million in the loss from Miscellaneous during the first half was due to a number of factors. The most significant were tax benefits arising from the recent tube mill partnership arrangement between CP Limited and Algoma Steel, a gain from the early termination of a leasehold interest, lower interest expense and favourable currency exchange movements.

Canadian Pacific Enterprises Limited

Although income from Enterprises, 69.7% owned by CP Limited, increased $8.3 million over the first half of 1984, there was a decline in the second quarter amounting to $15.3 million. The Oil and Gas, Forest Products and Iron and Steel sectors all had better six-month results, but reductions occurred in Mines and Minerals and Agri-products, which also accounted for most of Enterprises' second quarter decrease, and there was a loss in the Financial sector.

Higher sales of oil, natural gas and natural gas liquids led to an increase of $7.5 million in Enterprises' income from Oil and Gas during the first six months.

The loss from Forest Products was $20.0 million less than in the first half last year. This was because of CIP Inc., where newsprint selling prices moved up and there were positive effects from a stronger U.S. dollar. Selling prices for pulp, however, were depressed.

Despite weak selling prices for steel, Algoma Steel benefited from cost reductions and some improvement in product mix. These were the chief factors contributing to a reduction of $13.4 million in the loss from Iron and Steel during the first six months.

A decrease of $9.0 million in income from Mines and Minerals during the first half was attributable to the effects on Cominco of weak prices for zinc, lead, silver and gold. The reduction was mitigated in the first quarter of 1985 when Cominco realized a net gain of $9.4 million on the sale of a part of its interest in Pine Point Mines Limited, whereas in the second quarter of 1984 there was a net gain of $5.2 million arising principally from the sale of an oil recovery project.

In the Agriproducts sector, there was a loss of $1.1 million, in contrast with a profit of $8.6 million in the first half last year. Of the reduction, $7.3 million represented a provision in June for a net loss on the sale by Maple Leaf Mills of its 50% interest in Maple Leaf Monarch Company. Also in June, Enterprises sold its wholly-owned subsidiary, Theresa Friedman & Sons, Inc.

A loss of $3.2 million from the Financial sector, compared with a profit of $5.6 million in the 1984 period, was due largely to lower interest income.

Enterprises recently announced the purchase by PanCanadian of all the tax losses and investment tax credits of CIP Inc. for $65 million; CIP used the proceeds to reduce its debt. As a result of this transaction, Enterprises will post a gain of approximately $22 million in 1986 as the tax losses are realized. Enterprises also announced the merger of CIP Forest Products Inc. with CIP Inc. The combined operation will continue under the name CIP Inc.

Outlook

While economic prospects in Canada remain favourable, growth in the Company's earnings could continue to be inhibited by weak traffic volumes and generally unsatisfactory rate and price levels.

W.W. Stinson

President and
Chief Executive Officer

F.S. Burbidge

Chairman

Montreal, August 12, 1985.

Statement of Consolidated Income

Unaudited

	Three months ended June 30 1985	1984	Six months ended June 30 1985	1984
	(in thousands, except per share amounts)			
CP Rail				
Revenues	**$ 661,346**	$ 652,771	**$ 1,259,444**	$ 1,250,952
Expenses including income taxes	**615,546**	600,455	**1,200,296**	1,169,677
Net income	**45,800**	52,316	**59,148**	81,275
CP Air				
Revenues	**360,251**	300,165	**661,535**	547,376
Expenses including income taxes	**356,195**	297,156	**666,697**	558,383
	4,056	3,009	**(5,162)**	(11,007)
Preference dividend	**801**	826	**1,604**	1,621
Net income	**3,255**	2,183	**(6,766)**	(12,628)
CP Ships				
Revenues	**90,695**	88,093	**176,079**	166,405
Expenses including income taxes	**89,326**	93,061	**172,315**	179,611
	1,369	(4,968)	**3,764**	(13,206)
Minority interest	**4,442**	614	**6,919**	(298)
Net income	**(3,073)**	(5,582)	**(3,155)**	(12,908)
CP Trucks				
Revenues	**96,403**	93,330	**187,873**	183,195
Expenses including income taxes	**95,669**	92,817	**188,418**	183,539
Net income	**734**	513	**(545)**	(344)
Soo Line Corporation				
Revenues	**233,579**	98,114	**402,704**	206,172
Expenses including income taxes	**240,663**	96,094	**407,186**	198,027
	(7,084)	2,020	**(4,482)**	8,145
Minority interest	**(3,134)**	895	**(1,983)**	3,609
Net income	**(3,950)**	1,125	**(2,499)**	4,536
CP Telecommunications				
Revenues	**44,242**	43,004	**87,962**	84,521
Expenses including income taxes	**42,086**	40,903	**83,263**	80,648
Net income	**2,156**	2,101	**4,699**	3,873
Miscellaneous				
Net income	**(1,475)**	(11,340)	**(4,162)**	(19,861)
Transportation and Miscellaneous				
Net income	**43,447**	41,316	**46,720**	43,943
Canadian Pacific Enterprises Limited				
Revenues	**2,609,640**	2,565,490	**4,985,549**	4,932,618
Expenses including income taxes	**2,530,137**	2,454,438	**4,805,066**	4,768,004
	79,503	111,052	**180,483**	164,614
Minority interests	**38,524**	54,815	**85,262**	77,644
Net income	**40,979**	56,237	**95,221**	86,970
Total revenues	**4,001,660**	3,750,382	**7,570,497**	7,185,700
Total expenses including income taxes and minority interests	**3,917,234**	3,652,829	**7,428,556**	7,054,787
Net Income	**$ 84,426**	$ 97,553	**$ 141,941**	$ 130,913
Earnings per Ordinary Share	**$ 0.39**	$ 0.46	**$ 0.66**	$ 0.61

See Notes

Summarized Statement of Income from Canadian Pacific Enterprises Limited

Unaudited

	Three months ended June 30		Six months ended June 30	
	1985	1984	**1985**	1984
	(in thousands)			
Oil and Gas*	**$ 59,679**	$ 61,991	**$ 136,607**	$ 129,107
Mines and Minerals*	**3,195**	12,088	**5,332**	14,380
Forest Products*	**(5,880)**	(6,304)	**(12,308)**	(32,337)
Iron and Steel*	**(536)**	(2,759)	**(2,632)**	(16,029)
Real Estate*	**4,308**	7,945	**11,030**	12,149
Agriproducts*	**(3,274)**	3,513	**(1,057)**	8,590
Other Businesses	**3,205**	2,193	**5,870**	3,876
Financial	**(352)**	2,845	**(3,158)**	5,639
Enterprises – Net income	**60,345**	81,512	**139,684**	125,375
Minority interest	**19,366**	25,275	**44,463**	38,405
Net Income	**$ 40,979**	$ 56,237	**$ 95,221**	$ 86,970

*After interest of outside shareholders

Statement of Changes in Consolidated Financial Position

Unaudited

	Six months ended June 30	
	1985	1984
	(in thousands)	
Source of Funds		
Net income	**$ 141,941**	$ 130,913
Depreciation, depletion and amortization	**489,699**	430,641
Deferred income taxes	**54,647**	26,216
Minority interest in income of subsidiaries	**91,802**	82,576
Funds from operations	**778,089**	670,346
Reduction of investments	**14,722**	66,570
Issuance of long term debt	**519,470**	153,321
Issuance of shares by subsidiaries	**12,483**	105,808
Proceeds from sale of subsidiaries	**73,773**	—
Proceeds from disposal of properties	**38,268**	47,987
Sundries, net	**33,583**	15,123
Decrease (increase) in working capital	**145,102**	(12,600)
	$ 1,615,490	$ 1,046,555
Application of Funds		
Additions to properties	**$ 784,217**	$ 493,171
Additions to investments	**38,306**	28,337
Acquisition of railway operations and related net assets by a subsidiary	**257,366**	—
Reduction in long term debt	**339,970**	409,685
Preferred shares purchased for cancellation	**10,769**	851
Dividends	**51,322**	50,854
Dividends paid minority shareholders of subsidiaries	**66,800**	63,657
Working capital deficit of railway operations acquired by a subsidiary	**18,787**	—
Working capital of subsidiaries sold	**47,953**	—
	$ 1,615,490	$ 1,046,555

Condensed Consolidated
Balance Sheet
Unaudited

June 30	1985		1984	
	(in thousands)			
Assets				
Current assets		$ 4,889,912		$ 4,617,716
Insurance fund		4,363		4,235
Investments		437,362		428,594
Properties, at cost	$21,124,146		$19,019,024	
Less: Accumulated depreciation, depletion and amortization	6,922,653	14,201,493	6,270,480	12,748,544
Other assets and deferred charges		616,268		596,995
		$20,149,398		$18,396,084
Liabilities				
Current liabilities		$ 4,065,770		$ 3,817,664
Deferred liabilities		275,711		166,796
Insurance reserve		4,363		4,235
Long term debt		5,819,119		5,097,935
Perpetual 4% consolidated debenture stock		170,692		169,027
Minority shareholders' interest in subsidiary companies		3,057,466		2,862,080
Deferred income taxes		1,844,005		1,707,760
Deferred income credits		285,062		243,999
Shareholders' equity				
Preferred shares	$ —		$ 11,849	
Preference shares	14,870		14,870	
Ordinary shares	358,311		358,311	
Premium on securities	115,310		115,305	
Other paid-in surplus	162,288		162,323	
Foreign currency translation adjustments	281,995		256,498	
Retained income	3,694,436	4,627,210	3,407,432	4,326,588
		$20,149,398		$18,396,084

Notes

1. Total revenues and expenses reflect elimination of inter-company transactions.
2. Total expenses include the following amounts:

	Three months ended June 30		Six months ended June 30	
	1985	1984	1985	1984
	(in thousands)			
Depreciation, depletion and amortization	$ 252,029	$ 227,006	$ 489,699	$ 430,641
Interest expense	186,837	174,043	368,116	337,541
Income taxes	141,711	140,262	234,515	233,592

3. The Corporation's Preferred shares were redeemed on March 28, 1985 and the Ordinary and Preference shares were split on a three-for-one basis effective May 17, 1985.

Finance and Accounting
910 Peel Street, P.O. Box 6042, Station "A"
Montreal, Quebec H3C 3E4
Tel. (514) 395-6681, Telex 05-24725

Canadian Pacific

J P T Clough
Vice-President

October 16, 1985

Chief Financial Officer's Report

I have examined the financial statements appearing in the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1985 and its Report to Shareholders for the six months then ended. These financial statements have not been audited but have been prepared in accordance with the standards of the Canadian Institute of Chartered Accountants set out in the C.I.C.A. Handbook for interim financial reporting to shareholders.

J. P. T. Clough

Vice-President
Finance and Accounting.

Canadian Pacific Enterprises Limited

Annual Information Form April 26, 1985

CANADIAN PACIFIC ENTERPRISES LIMITED

Attached hereto are the following documents, parts of which are incorporated into this Annual Information Form by reference as more particularly specified herein:

1. The Annual Report on Form 10-K of Canadian Pacific Enterprises Limited for the year ended December 31, 1984, filed with the Securities and Exchange Commission, Washington, D.C. ("Form 10-K");

2. The Annual Report to Shareholders of Canadian Pacific Enterprises Limited for the year ended December 31, 1984 (the "Annual Report"); and

3. The Proxy Statement for Annual Meeting of Shareholders of Canadian Pacific Enterprises Limited dated as of March 1, 1985 (the "Proxy Statement").

Item 1
Name and Incorporation of Issuer

Canadian Pacific Enterprises Limited ("Enterprises") was incorporated as Canadian Pacific Investments Limited under the laws of Canada by Letters Patent dated July 9, 1962, as a wholly-owned subsidiary of Canadian Pacific Limited to acquire and develop the natural resource and other non-transportation interests of Canadian Pacific Limited and was continued under the Canada Business Corporations Act by Certificate of Continuance dated April 30, 1979. Its name was changed to Canadian Pacific Enterprises Limited by Certificate of Amendment effective May 5, 1980. At December 31, 1984, Canadian Pacific Limited owned 69.9% of Enterprises' outstanding common shares, constituting the only class of voting securities outstanding. In addition, at December 31, 1984, 5,000,000 Cumulative Redeemable Convertible Preferred Shares Series B were outstanding and registered in the name of a Canadian chartered bank. Enterprises' registered and principal office is at Suite 2300, One Palliser Square, 125-9th Avenue S.E., Calgary, Alberta, T2G 0P6.

Item 2
Business and Property

Reference is made to the information contained under the heading "Business" on pages 2-30 of the Form 10-K, which information is incorporated herein by reference.

Item 3
Summary of Financial Information

(a) Reference is made to the financial information contained on page 48 of the Annual Report, which information is incorporated herein by reference.

(b)

	1983 Quarter Ended Mar.31	June 30	Sept.30	Dec.31	1984 Quarter Ended Mar.31	June 30	Sept.30	Dec.31
	(in millions except amounts per share)							
Revenues	$1,888	$2,212	$2,154	$2,398	$2,367	$2,565	$2,411	$2,513
Income before Extraordinary Item	4	7	16	36	44	81	68	114
Income (per common share) before Extraordinary Item	0.03	0.04	0.10	0.24	0.28	0.53	0.42	0.73
Net Income	4	7	16	67	44	81	68	114
Net Income (per common share)	0.03	0.04	0.10	0.44	0.28	0.53	0.42	0.73

Effective January 1, 1984, Enterprises and its subsidiaries adopted prospectively the recent CICA recommendations on foreign currency translation. This change in accounting policy had the effect of reducing consolidated net income for the year ended December 31, 1984 by $16,000,000.

There were no material acquisitions made in 1984 or 1983. The Extraordinary Item referred to above represents the gain on the sale of the shares of Canadian Pacific Hotels Limited, effective December 1, 1983, to Canadian Pacific Air Lines, Limited, a wholly-owned subsidiary of Canadian Pacific Limited. A material acquisition made in 1982 is described in Note 17 to the Consolidated Financial Statements on page 34 of the Annual Report and material acquisitions made during 1980 and 1981 are described in Note 16 to the Consolidated Financial Statements on pages 42 and 43 of the 1981 Annual Report to Shareholders, all of which information is incorporated herein by reference.

Item 4
Analysis of Financial Position and Results of Operations

Reference is made to the information contained under the headings "Financial Review" and "Review of Operations" on pages 4-5 and pages 6-15, respectively, of the Annual Report, which information is included herein by reference.

Item 5
Market for the Securities of the Issuer

The outstanding common shares of Enterprises are listed and posted for trading on The Alberta Stock Exchange, The Montreal Exchange, The Toronto Stock Exchange, The Vancouver Stock Exchange, The New York Stock Exchange, The Stock Exchange (London, England) and the Amsterdam Stock Exchange.

Item 6
Dividends

Reference is made to the information respecting dividends set out on page 48 of the Annual Report, which information is incorporated herein by reference.

Save as to laws of general application applicable to all corporations incorporated pursuant to the Canada Business Corporations Act, there are no restrictions on Enterprises' present or future capacity to declare and pay dividends on its Preferred Shares Series B and, subject to prior payment or satisfaction of all dividends payable on the said Preferred Shares Series B, on its common shares.

Item 7
Subsidiaries of the Issuer

Enterprises' principal subsidiaries, their jurisdictions of incorporation and Enterprises' direct and indirect ownership of voting securities of each as at January 1, 1985, are set forth below. Also indicated is the percentage ownership of voting securities that certain subsidiaries have in their respective significant subsidiary companies:

PanCanadian Petroleum Limited	Canada	87.1%
PanCanadian Gas Products Ltd.	Alberta	100%
PanCanadian Petroleum Company	Delaware	100%
Cominco Ltd.	Canada	53.2%
Cominco American Incorporated	Washington	100%
Pine Point Mines Limited	Canada	69%*
Fording Coal Limited	Canada	60% Enterprises 40% Cominco
Steep Rock Resources Inc.	Ontario	79.6%

*Reduced to 51% in January, 1985.

CIP Inc.	Quebec	100%
NBIP Forest Products Inc.	New Brunswick	67%
CIP Forest Products Inc.	Canada	100%
Facelle Company Limited	Canada	100%
Great Lakes Forest Products Limited	Ontario	54.3%
The Algoma Steel Corporation, Limited	Ontario	61.2%
Cannelton Industries, Inc.	West Virginia	100%
AMCA International Limited	Canada	16.2% Enterprises 34.5% Algoma
AMCA International Corporation	Delaware	100%
Koehring Company	Delaware	100%
Marathon Realty Company Limited	Canada	100%
Marathon U.S. Holdings, Inc.	Delaware	100%
Maple Leaf Mills Limited	Ontario	100%
Corporate Foods Limited	Ontario	63%
Canadian Pacific Enterprises (U.S.) Inc.	Delaware	100%
Syracuse China Corporation	Delaware	100%
Canadian Pacific Securities Limited	Canada	100%
Chateau Insurance Company	Canada	99.9%

Item 8
Directors and Officers

The directors and officers of Enterprises, as at April 26, 1985, are as set out below:

DIRECTORS

Name and Municipality of Residence	Principal Occupation(s) Within 5 Previous Years	Director Since
Myles Norman Anderson Vancouver, British Columbia	Chairman and Chief Executive Officer, Cominco Ltd. to present (engaged in mining, metals, chemicals and fertilizers); To May, 1980 - President and Chief Operating Officer, Cominco Ltd.	1980

Name and Municipality of Residence	Principal Occupation(s) Within 5 Previous Years	Director Since
Frederick Stewart Burbidge St. Lambert, Quebec	Chairman and Chief Executive Officer, Canadian Pacific Limited; To May, 1981 - President, Canadian Pacific Limited	1972
Robert William Campbell Calgary, Alberta	Chairman and Chief Executive Officer, Canadian Pacific Enterprises Limited; April, 1982 to April, 1984 - Vice-Chairman and Chief Executive Officer, Canadian Pacific Enterprises Limited; February, 1982 to April, 1982 - Vice-Chairman, Canadian Pacific Enterprises Limited; To February, 1982 - Chairman of the Board and Chief Executive Officer, PanCanadian Petroleum Limited	1973
Paul Desmarais, O.C. Westmount, Quebec	Chairman and Chief Executive Officer, Power Corporation of Canada (a holding and management corporation)	1984
Stuart Ernest Eagles Calgary, Alberta	President, Canadian Pacific Enterprises Limited; To July, 1983 - Chairman and President, Marathon Realty Company Limited	1983
Thomas Maunsell Galt Toronto, Ontario	Chairman and Chief Executive Officer, Sun Life Assurance Company of Canada	1980
Clarence Merv Leitch, Q.C. Calgary, Alberta	Partner, Macleod Dixon (barristers and solicitors); To November, 1982 - Minister of Energy and Natural Resources, Government of Alberta	1983

Name and Municipality of Residence	Principal Occupation(s) Within 5 Previous Years	Director Since
John Macnamara Sault Ste. Marie, Ontario	Chairman and Chief Executive Officer, The Algoma Steel Corporation, Limited (a fully integrated iron and steel production company); To April, 1981 - President and Chief Executive Officer, The Algoma Steel Corporation, Limited	1975
Angus Athole MacNaughton San Francisco, California	President and Chief Executive Officer, Genstar Corporation (engaged in diversified industrial operations); May, 1983 to May, 1984 - Chairman and Chief Executive Officer, Genstar Corporation; May, 1982 to May, 1983 - President and Chief Executive Officer, Genstar Corporation; May, 1981 to May, 1982 - Chairman and Chief Executive Officer, Genstar Corporation; To May, 1981 - Vice-Chairman and Chief Executive Officer, Genstar Limited	1975
William Earle McLaughlin Westmount, Quebec	Corporate Director; To September, 1980 - Chairman of the Board of a Canadian chartered bank	1979
Paul Aimé Nepveu Laval, Quebec	Corporate Director; October, 1981 to April, 1984 - Chairman of the Board, CIP Inc.; May, 1981 to October, 1981 - Corporate Consultant; To May, 1981 - Vice-Chairman, Canadian Pacific Enterprises Limited	1979
The Honourable John Lang Nichol, O.C. Vancouver, British Columbia	President of a private investment company	1981

Name and Municipality of Residence	Principal Occupation(s) Within 5 Previous Years	Director Since
Paul Leo Paré, O.C. Montreal, Quebec	Chairman and Chief Executive Officer, Imasco Limited (a parent operating company with tobacco, food services and retail divisions)	1974
Claude Pratte, Q.C. Quebec, Quebec	Partner, Stein, Monast, Pratte & Marseille (barristers and solicitors); To July, 1984 - Partner, Letorneau & Stein	1985
Charles Douglas Reekie Islington, Ontario	President and Chief Executive Officer, CAE Industries Ltd. (a holding and management company)	1979
Ronald Donald Southern Calgary, Alberta	Deputy Chairman and Chief Executive Officer, ATCO Ltd. (a holding company for a world-wide group of companies engaged primarily in energy and resource-related industries); To August, 1984 - President and Chief Executive Officer, ATCO Ltd.	1974
William Wade Stinson Montreal, Quebec	President, Canadian Pacific Limited; To May, 1981 - Executive Vice-President, CP Rail	1982
Ray David Wolfe, C.M. Willowdale, Ontario	Chairman and Chief Executive Officer, The Oshawa Group Limited (engaged in merchandising of food, non-food and drugs); To October, 1983 - Chairman of the Board, President and Chief Executive Officer, The Oshawa Group Limited	1982

Reference is made to the information contained on pages 3-8 of the Proxy Statement with respect to the number of shares of Enterprises and its subsidiaries beneficially owned or over which control or direction is exercised by the directors of Enterprises, which information is incorporated herein by reference.

Each director is elected to hold office until the close of the next annual meeting of shareholders.

OFFICERS

Name and Municipality of Residence	Principal Occupation(s) Within 5 Previous Years
Robert William Campbell Calgary, Alberta	Chairman and Chief Executive Officer, Canadian Pacific Enterprises Limited; April, 1982 to April, 1984 - Vice-Chairman and Chief Executive Officer, Canadian Pacific Enterprises Limited; February, 1982 to April, 1982 - Vice-Chairman, Canadian Pacific Enterprises Limited; To February, 1982 - Chairman of the Board and Chief Executive Officer, PanCanadian Petroleum Limited
Stuart Ernest Eagles Calgary, Alberta	President, Canadian Pacific Enterprises Limited; To July, 1983 - Chairman and President, Marathon Realty Company Limited
James Floyd Hankinson Calgary, Alberta	Vice-President Finance and Accounting, Canadian Pacific Enterprises Limited; To April, 1981 - Comptroller, Canadian Pacific Limited
Gordon Stewart MacLean Calgary, Alberta	Vice-President Administration and Secretary, Canadian Pacific Enterprises Limited; To December, 1981 - General Manager, Administration and Corporate Secretary, Canadian Pacific Enterprises Limited
Larry Thomas Beare Calgary, Alberta	Vice-President and General Counsel, Canadian Pacific Enterprises Limited; Assistant General Solicitor, Canadian Pacific Limited
Berj John Zafirian Oakville, Ontario	Treasurer, Canadian Pacific Enterprises Limited

Name and Municipality of Residence	Principal Occupation(s) Within 5 Previous Years
Richard Anthony Norris Calgary, Alberta	Comptroller, Canadian Pacific Enterprises Limited; To February, 1984 - Assistant Comptroller, Canadian Pacific Enterprises Limited
Leonard Douglas Barrie Calgary, Alberta	Assistant Secretary, Canadian Pacific Enterprises Limited
Karl Friederich von Boltenstern Mississauga, Ontario	Assistant Treasurer, Canadian Pacific Enterprises Limited
Patrick Ernest LeFeuvre Toronto, Ontario	Assistant Treasurer, Canadian Pacific Enterprises Limited

Subject as hereinafter set out, the directors and officers of Enterprises as a group beneficially own, directly or indirectly, or exercise direction or control over, less than .12% of Enterprises' outstanding voting securities and less than .50% of the outstanding voting securities of any of Enterprises' subsidiaries. Reference is made to footnote 1 on page 8 of the Proxy Statement, which information is incorporated herein by reference.

The Board of Directors of Enterprises has both an Executive Committee and an Audit Committee. As at April 26, 1985, members of the Executive Committee of the Board are: Messrs. Campbell, Desmarais, Eagles, McLaughlin, Paré, Reekie, Stinson and Wolfe; Members of the Audit Committee of the Board are: Messrs. Leitch, MacNaughton, McLaughlin and Reekie.

Item 9
Additional Information

Additional information, including directors and officers remuneration for the year ended December 31, 1984, the principal holder of Enterprises' common shares and the interests of insiders in material transactions is contained in the Proxy Statement. Additional financial information is provided in Enterprises' comparative financial statements for the year ended December 31, 1984 contained in the Annual Report.

Copies of Enterprises' Annual Report to Shareholders for the year ended December 31, 1984, its Proxy Statement dated as of March 1, 1985 and in its Annual Report of Form 10-K for the year ended December 31, 1984 may be obtained upon request from the Vice-President Administration and Secretary at 2300, One Palliser Square, 125-9th Avenue S.E., Calgary, Alberta, T2G 0P6.

Item 10
Certificate

Dated: April 26, 1985

The foregoing, together with any information incorporated by reference, contains no untrue statement of a material fact that is required to be stated herein in accordance with the requirements of this Annual Information Form or that is necessary to make a statement contained herein not misleading in light of the circumstances in which it was made.

Robert W. Campbell
Chairman and Chief Executive Officer

J. F. Hankinson
Vice-President Finance and Accounting

Director

Director

Canadian Pacific Enterprises Limited

Form 10-K Annual Report for Year Ended December 31, 1984

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.
FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the fiscal year ended December 31, 1984 Commission file number 1-7984

Canadian Pacific Enterprises Limited
(Exact name of registrant as specified in its charter)

Canada	
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Suite 2300, One Palliser Square 125 - 9th Avenue S. E. Calgary, Alberta T2G 0P6	
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code 403-231-6100

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common shares without nominal or par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None
(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No____.

Nonaffiliates held 46,713,297 shares at March 1, 1985, the aggregate market value of which was U.S. $963,000,000.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at March 1, 1985
Common shares without nominal or par value	154,655,015 shares

DOCUMENTS INCORPORATED BY REFERENCE.

(1) Annual report to shareholders for the year ended December 31, 1984 (Part II)
(2) Proxy statement for Annual Meeting of Shareholders, April 26, 1985 (Part III)

PART I

In this Form 10-K, unless otherwise specified, all dollar amounts are expressed in Canadian dollars. Since June 1, 1970, the Government of Canada has permitted a floating exchange rate to determine the value of the Canadian dollar against the U.S. dollar. The high and low spot rates for the Canadian dollar in terms of U.S. dollars for the three years ended December 31, 1984, as reported by the Bank of Canada, were as follows:

	1984	1983	1982
High	$0.8030	$0.8208	$0.8446
Low	0.7486	0.7990	0.7680

Item 1. Business

Canadian Pacific Enterprises Limited ("Enterprises") is a diversified international business conducting its operations through subsidiary companies. In addition to the specific factors described in the 1984 Annual Report to Shareholders (Exhibit 13) under "Review of Operations", the growth of Enterprises has been the result of internal expansion by subsidiaries as well as acquisitions by subsidiaries and by Enterprises itself.

Certain of Enterprises' principal subsidiaries have substantial publicly held minority share ownership. Each subsidiary has its own executive, operating and staff employees who are responsible to its board of directors and shareholders. Enterprises itself has approximately 70 officers and employees involved principally with strategic and financial planning and monitoring the activities of its subsidiaries.

Revenues, expenses, net income and identifiable assets of Enterprises by sector and similar information by principal geographic area are shown in the Annual Report to Shareholders on pages 19 and 30, and 26 and 27 respectively; such information is incorporated herein by reference. There is set forth below certain information concerning the businesses and properties of Enterprises' subsidiaries by classes of business based upon the major activities of significant subsidiaries.

Oil and Gas

Enterprises owns 87.1% of the shares of **PanCanadian Petroleum Limited** ("PanCanadian") which is engaged, directly and through subsidiaries, in the exploration for and the production of petroleum, natural gas and related hydrocarbons. It is a major producer of crude oil and natural gas in Canada and has a 50% interest and an 8% interest, respectively, in two plants located at Empress, Alberta, which extract natural gas liquids (including ethane) from main transportation lines of a major pipeline company carrying natural gas out of

Alberta. PanCanadian also has a 4% interest in the Syncrude synthetic crude oil project and a 35% interest in a methanol plant located in Edmonton, Alberta. In 1982 through 1984, sales of natural gas and natural gas liquids accounted for approximately 48% of total revenues.

PanCanadian conducts extensive exploration in western Canada, principally Alberta, where the majority of its proved reserves and present production are located. Over the past several years, it has expanded its exploration program to include Canadian frontier regions, the United States and other areas outside Canada. Set forth below is information relating to PanCanadian's exploration and development activities, land holdings, production, petrochemicals interest and competition and governmental regulation. For information on oil and gas producing activities prepared in accordance with Financial Accounting Standards Board Statement No. 69, see Supplementary Data in the Annual Report to Shareholders; such information is incorporated herein by reference.

Enterprises, through PanCanadian and another subsidiary, Cominco Ltd., described under "Mines and Minerals", has a net 11% equity interest in Panarctic Oils Ltd. ("Panarctic") which is engaged in oil and gas exploration in the Arctic Islands where Panarctic reported it controls oil and gas rights in approximately 30 million gross (12 million net) acres. Through Panarctic Oils Ltd., PanCanadian participated in three offshore wells and one onshore well during the 1983-84 drilling season.

Exploration and Development. Information concerning the number of PanCanadian's net working interest exploration wells drilled in 1982 through 1984 is set forth below:

	Oil	Gas	Abandoned	Facility	Total
Canada					
1984	147.8	65.0	93.0	1.8	307.6
1983	91.7	47.6	66.6	0.2	206.1
1982	69.1	54.8	64.6	-	188.5
United States					
1984	4.4	0.6	9.5	-	14.5
1983	3.5	1.7	6.4	-	11.6
1982	3.1	2.2	6.6	-	11.9
Other Areas					
1984	-	-	-	-	-
1983	-	-	0.3	-	0.3
1982	-	-	0.6	-	0.6
Totals					
1984	152.2	65.6	102.5	1.8	322.1
1983	95.2	49.3	73.3	0.2	218.0
1982	72.2	57.0	71.8	-	201.0

Information concerning the net working interest development wells, substantially all of which are located in western Canada, is set forth below:

	Oil	Gas	Abandoned	Facility	Total
1984	104.0	17.4	16.2	6.4	144.0
1983	52.9	89.2	13.4	-	155.5
1982	22.2	74.4	2.9	1.9	101.4

At December 31, 1984, PanCanadian had 25 gross or 10.7 net wells in the process of being drilled. Gross wells are the total wells in which PanCanadian has a working interest. Net wells are the sum of PanCanadian's fractional working interests in gross wells. A facility (or service) well is one drilled for the purpose of supporting production in an existing field. In general, an exploration well is a well drilled either in search of a new and as yet undiscovered pool of oil or gas or with the expectation of greatly extending the limits of a pool which is partly developed. All other wells are development wells.

In 1984, PanCanadian's exploration and development activities concentrated on the search for crude oil, primarily in western Canada.

During 1984 PanCanadian had a working interest in the drilling of 599 wells onshore in Canada. These wells included 412 exploration wells and 187 development wells and resulted in 335 oil wells and 107 gas wells. In addition, PanCanadian had a royalty interest in 471 wells drilled during the year, which resulted in 185 oil wells and 245 gas wells. Offshore exploration activities were mainly carried out pursuant to a farm-in agreement covering lands offshore Newfoundland. Mobil et al North Dana I-43, which commenced drilling in 1982, was plugged and abandoned in January 1984. PanCanadian and partners have earned the option to acquire additional lands in the Grand Banks area, offshore Newfoundland by drilling additional wells. Seismic evaluation continued in 1984 with respect to these lands and other possible farm-in opportunities.

In the United States, PanCanadian had a working interest in 37 exploratory wells and 28 development wells drilled in 1984 which resulted in 33 oil wells and five gas wells. In addition, PanCanadian had a royalty interest in 21 wells drilled in the same period, resulting in ten oil wells.

Seismic evaluation continued in the United Kingdom sector on Blocks 13/29 and 29/5b in which the company has interests of 16% and 25%, respectively. In 1984, PanCanadian's international exploration activity consisted of participation in a well in Block 48/18b in the United Kingdom sector of the North Sea. The well commenced drilling in November 1984.

Land Holdings. At December 31, 1984 PanCanadian held working interests in approximately 8.4 million net acres, including ownership of approximately 6.7 million acres of freehold lands and 0.4 million acres of freehold leases. In addition, 3.1 million acres of freehold lands owned by PanCanadian are leased to others with royalties reserved for PanCanadian.

Set forth below is PanCanadian's gross and net developed acreage at December 31, 1984:

	Oil	Natural Gas
Gross Developed Acres	256,360	2,152,480
Net Developed Acres	185,440	1,679,400

Developed acres are those acres included in the production spacing units assigned to wells which were capable of production at the date specified. Substantially all of PanCanadian's developed acreage is in Canada. Gross acres are the total number of acres in which working interests are owned, and net acres are the sum of fractional working interests owned in gross acres.

At December 31, 1984, PanCanadian's undeveloped acreage holdings were as follows:

	Reservations, Permits, Licences and Concessions (1)		Leases and Freehold Titles
	Gross	Net	Net
Canada			
Western Canada	602,405	227,903	5,709,523 (2)
Frontier Canada	869,835 (3)	219,532 (3)	- (3)
United States	-	-	354,326
North Sea (U.K.)	244,826	44,732	-
Total Undeveloped Acres	1,717,066	492,167	6,063,849

(1) Reservations, permits, licences and concessions grant the holder thereof rights to explore for petroleum and natural gas, and to select leases of portions (generally 40% to 100%) of the lands subject thereto. The duration, terms and amount of work obligations and the percentage convertible to lease vary with different jurisdictions. In general, retention of rights requires specified exploration expenditures or cash payments.

(2) Excludes PanCanadian's royalty interest in 348,457 gross freehold acres leased to others.

(3) Excludes PanCanadian's interest in the undeveloped acreage of Panarctic Oils Ltd.

Early in 1985, PanCanadian purchased certain oil and gas interests in the United States. The purchase price was U.S. $45 million.

Production. The table below sets out the net quantities of crude oil, natural gas, natural gas liquids and sulphur produced by PanCanadian during each of the three years ended December 31, 1984:

	1984	1983	1982
		(in thousands)	
Production from conventional oil and gas properties			
Crude Oil (barrels)	14,258	12,472	11,241
Natural Gas (Mcf)	123,300	105,230	115,285
Natural Gas Liquids (barrels)	1,717	1,480	1,222
Sulphur (long tons)	97	104	100
Other Production			
Natural Gas Liquids From Empress Plants (barrels)	6,012	4,953	6,967
Methanol (long tons)	265	209	-
Synthetic Crude Oil (barrels)	1,247	1,348	1,032

Net quantities are shown after deduction of the applicable mineral owner or government royalty (or tax in lieu of royalty) converted into a volume of production on a percentage basis. Production is substantially all from Canada. PanCanadian's production of oil and natural gas in Canada is limited by amounts determined by provincial and federal regulatory authorities. See "Competition and Governmental Regulation".

The number of wells producing or capable of producing, in which PanCanadian had a working interest at December 31, 1984 were as follows:

Oil		Natural Gas		Total	
Gross	Net	Gross	Net	Gross	Net
4,322	1,350	4,373	2,665	8,695	4,015

Over 96% of gross wells and 98% of net wells are located in western Canada, of the remainder, over 99% are in the United States. PanCanadian also has varying royalty interests in production from 7,908 oil wells and 4,714 gas wells in western Canada.

PanCanadian's average sale prices and average production (lifting) costs per unit during the three years ended December 31, 1984 were as follows:

	Average Sale Price per Unit	Average Working Interest Production Cost per Unit	Average Production Cost Per Unit
Oil (excluding Syncrude) (barrels)			
1984	$32.37	$5.40	$3.92
1983	30.24	5.13	3.43
1982	24.91	4.92	3.19
Natural Gas (Mcf)			
1984	2.73	0.42	0.33
1983	2.65	0.56	0.44
1982	2.64	0.49	0.38
Empress Plant Natural Gas Liquids (barrels)			
1984	16.17	10.84	10.84
1983	15.85	9.46	9.46
1982	13.95	8.41	8.41
Other Natural Gas Liquids (barrels)			
1984	24.63	-*	-*
1983	25.54	-*	-*
1982	20.21	-*	-*
Sulphur (long tons)			
1984	67.69	-*	-*
1983	64.99	-*	-*
1982	80.03	-*	-*

*Production costs for natural gas liquids and sulphur are included in natural gas production costs.

Sale prices of oil and natural gas in Canada are regulated by the Government of Canada. See "Competition and Governmental Regulation".

PanCanadian is not engaged in the manufacture or retail marketing of petroleum products (activities such as refining, transportation and distribution) and sells its oil and other liquids to refiners and others under short term arrangements. Natural gas liquids extracted at the Empress plants and purchased from others are sold to wholesalers in the United States and Canada under short term arrangements. Ethane extracted at the Empress plants is sold for petrochemical uses under long term contracts. Natural gas is sold principally

under long term contracts with gas transmission companies. These contracts provide for the purchase of natural gas up to specified maximum volumes at prices prevailing at the time of delivery. PanCanadian's obligation to deliver the volumes of natural gas called for under such contracts is dependent upon its ability to produce from the lands dedicated to those contracts.

Petrochemicals. PanCanadian has a 35% interest in a methanol manufacturing plant in Edmonton, Alberta. The plant commenced commercial production in January 1983 and has a production capacity of 2,100 tonnes of methanol per day. The other participants are a Canadian based producer and marketer of petrochemicals, which operates the project, and one of its United States affiliates which is an international producer and marketer of petrochemicals. The methanol is being sold mainly in the international market.

Competition and Governmental Regulation. The petroleum and natural gas industry operates in Canada under federal and provincial legislation regulating land tenure, production rates, pricing, environmental protection, exports, taxation and other matters.

The Government of Canada has entered into agreements with certain oil and gas producing provinces respecting the pricing and taxation of the petroleum and natural gas industry. Under these agreements, which expire on December 31, 1986, the respective governments have agreed not to introduce further taxes, royalties or levies specific to the oil and gas producing industry other than those set out in the agreements, nor to alter existing taxes, royalties or expenditures in a manner which will significantly reduce the aggregate revenues flowing to the industry or to the other government.

These agreements introduced pricing systems for "old" oil and "new" oil which includes synthetic oil and oil from federal lands. Under the September 1, 1981 agreement applicable to Alberta, where PanCanadian derives the bulk of its production, the reference price for "old" oil (defined as oil discovered prior to 1981, excluding incremental oil from enhanced recovery projects) increased $2.25 per barrel January 1 and July 1, 1982, and $4.00 per barrel January 1, 1983. For "new" oil a New Oil Reference Price ("NORP") was established effective January 1, 1982. The agreement provides for scheduled increases in the prices for both categories of oil, with a maximum price being established at a certain percentage (75% in the case of "old" oil and 100% in the case of "new" oil) of the international price of oil in Montreal, as defined in the agreement. Effective July 1, 1982, crude oil discovered from 1974 to 1980 inclusive, received the Special Old Oil Price adjusted for quality and location. The Special Old Oil Price is 75% of the prevailing NORP in Montreal. On June 30, 1983, the Governments of Canada and Alberta amended the pricing provisions contained in the September 1, 1981, agreement. As a result of the amendment, which covers the period from July 1, 1983 to December 31, 1984, and was recently extended to March 31, 1985, the price received for oil discovered prior to 1974 will be held at the level prevailing at June 30, 1983, and crude oil discovered between 1974 and 1981 will receive the prevailing NORP. The current price of "old" oil is approximately 78% of NORP, however no immediate roll back to the 75% ceiling is anticipated. Oil pricing in Saskatchewan is similar to that in Alberta.

Under the agreement with Alberta, the price of natural gas destined for domestic markets east of the Province, which applies to the greater part of PanCanadian's gas production, is fixed at the Alberta border and the price was increased by semi-annual increments from $1.82 per thousand cubic feet (Mcf) at September 1, 1981 to $2.94 per Mcf at February 1, 1984. During the period July 1, 1983 through December 31, 1984, the federal government offset any increases, beyond a nominal amount, in the natural gas transmission charges on the TransCanada Pipelines system which would otherwise impact the net back to producers. There will be no increase in the price of natural gas during the period January 1, 1985 through March 31, 1985 due to the extension of the existing amending agreement. The price of natural gas exported to the United States is set by the Government of Canada and was reduced in 1983 from U.S. $4.94 per Mcf to U.S. $4.40 per Mcf. In addition, a volume related incentive price was set at U.S. $3.40 per Mcf through October 31, 1984 for natural gas sales which exceed specified reference levels. The excess of the export price over the domestic price was distributed to all Alberta gas producers in proportion to their respective shares of the aggregate Alberta production of natural gas. To stimulate sales, the federal government announced a new policy for pricing natural gas exports effective November 1, 1984. Under this policy, Canadian exporters may sell natural gas at prices directly negotiated with their buyers, subject to a minimum based on the Toronto City Gate price. United States regulatory agencies have also amended their pricing requirements to permit imports of natural gas which are priced competitively in the markets being served. Accordingly, contracts for the majority of the long term licenced and flowing gas between major Canadian exporters and United States gas buyers have been renegotiated and the new terms have been approved by the Government of Canada.

In order to explore on lands subject to federal jurisdiction, which includes offshore areas, an exploration agreement must be entered into with the federal government. These agreements fix the exploration work to be done and other matters and extend for periods of five to eight years. Subject to certain limitations and exceptions, the Government of Canada retains or has the right to acquire a 25% interest in any rights granted on federal lands. Production from wells drilled on federal lands requires a production licence, the holders of which must have an aggregate Canadian ownership level of at least 50%, including the government's share. To the extent required to meet this ownership level, the holders must transfer a pro-rata portion of their interest to the federal government.

As a result of the National Energy Program ("NEP") and the energy agreements, two federal tax measures were introduced. The Petroleum and Gas Revenue Tax Act imposed a tax ("PGRT") of 8% on royalty income and net oil and gas production revenues after 1980. The PGRT rate was increased to 16% effective January 1, 1982, but was reduced to 14.67% for a period of one year effective June 1, 1982. The PGRT rate was restored to 16% effective June 1, 1983. However, effective January 1, 1982, all royalties and net oil and gas production revenues subject to provincial royalties and other levies are reduced by a 25% resource allowance. The tax is not deductible for income tax purposes. In addition, the federal government introduced the Incremental Oil Revenue Tax

("IORT") which provides for a 50% rate of tax on incremental "old" oil revenues after deduction of related Crown levies. The tax became effective January 1, 1982, but has been suspended for the period June 1, 1982 to May 31, 1985. Incremental revenue represents the excess of the actual revenue to be received under the federal-provincial pricing agreements over that which would have been received under the price schedule set forth in the NEP. Incremental revenue which is subject to IORT is excluded from income for purposes of income tax but is subject to the PGRT.

Federal and Alberta legislation has created a system of direct cash incentives for oil and gas exploration and development. The rate of the incentives depends on the nature of the expenditure, the area of activity, whether the recipient is Canadian controlled and its degree of Canadian ownership ("COR"). PanCanadian has received certification that it is Canadian controlled and its COR is at a level sufficient to entitle it to claim the maximum rate of incentive payments through November 28, 1985. CORs are subject to redetermination at periodic intervals. The minimum COR to qualify for maximum incentives is scheduled to increase in stages to 1986. If PanCanadian's COR falls below such minimum, the rate of incentives will be reduced.

The Government of Canada controls the export of crude oil, natural gas and natural gas liquids from Canada. There are presently no restrictions on the export of heavy crude oil which the National Energy Board determines to be surplus to Canadian needs and which is exported under licences for terms not exceeding one year. The Province of Alberta controls the production and marketing of crude oil produced in that province. The Alberta Energy Resources Conservation Board prorates permitted production according to market demand among producing fields. The Government of Alberta has enacted legislation which enables it to limit the production of oil in Alberta to such quantities as it may from time to time deem to be in the public interest of Alberta. This legislation permits maximum volumes of petroleum production from Alberta Crown agreements or leases to be set below levels that could actually be produced and sold. The Alberta Petroleum Marketing Commission markets all oil produced from Crown lands in that province as well as all oil production receiving the price applicable to new oil.

Mines and Minerals

Enterprises owns a 53.2% equity interest in **Cominco Ltd.** ("Cominco"), which has numerous subsidiary and associated companies. Cominco, including its subsidiary and associated companies, is one of the world's largest mine producers and smelters of zinc and lead with major operations in eight countries. Cominco also produces silver, gold, copper, tin, cadmium, bismuth, indium, diamonds, coal, steel products, fabricated metals, high purity metals and compound semiconductor materials and components for the electronic industry. Cominco is an important producer of fertilizers, which are mainly marketed under the Elephant Brand name in Canada and the United States. The principal products are ammonia, urea, urea-sulphur, ammonium nitrate, ammonium phosphate, ammonium sulphate and potash. The company also produces sulphuric acid and sulphur dioxide.

In response to increased world demand for mineral products and fertilizers, Cominco has broadened its activities over the past decade, both in Canada and internationally.

Sales of principal products by Cominco and its subsidiaries are shown below for the three years ended 1984:

	1984	1983 (in millions)	1982
Refined Zinc	$ 339	$ 231	$ 216
Refined Lead	102	91	93
Zinc Concentrates	137	108	80
Lead Concentrates	34	30	35
Refined Silver	110	142	93
Refined Gold	60	47	48
Chemicals and Fertilizers	536	468	436
Other Processed and Manufactured Goods (including copper)	203	193	171
Other Products and Services	64	65	63
Total	$1,585	$1,375	$1,235

In 1984 sales volumes of most products were higher than in 1983 with the exception of refined lead and lead concentrate. Realized prices for lead, zinc and chemicals and fertilizers were favourable compared to those in 1983 while prices for other products were lower. The decrease in sales revenue of silver and gold was attributable to lower realized prices.

In 1983, sales volumes of refined metals, metal concentrates, other processed and manufactured goods and chemicals and fertilizers were higher with the exception of gold and steel products. Realized zinc prices were up slightly from those in 1982 although realized lead prices were considerably lower. Silver and gold prices were substantially higher in 1983 than 1982 levels but declined in the fourth quarter. The 1983 average realized prices for principal fertilizer products were lower than those realized in 1982.

Metals. The following table sets forth average quoted prices for zinc, lead, gold and silver for the three years ended December 31, 1984.

	Year ended December 31		
	1984	1983	1982
Zinc (U.S. ¢/lb.-U.S. Producer Price)	48.6¢	41.4¢	38.5¢
Lead (U.S. ¢/lb.-U.S. Producer Price)	25.5¢	21.7¢	25.5¢
Gold (U.S. dollars/troy ounce-London Gold Price)	$360.4	$424.3	$375.9
Silver (U.S. dollars/troy ounce-U.S. Silver Price)	$8.1	$11.4	$7.9

Zinc and Lead. Cominco mines zinc and lead at the Sullivan Mine at Kimberley, British Columbia, the Polaris and Pine Point Mines in the Northwest Territories, the Magmont Mine at Bixby, Missouri, the Black Angel Mine in Greenland, the Rubiales Mine in Spain and at the Que River Mine in Tasmania. The following table sets forth certain information with respect to the percentages of ownership of Cominco in the mines, and the proven and probable recoverable zinc-lead ore reserves at mines of Cominco as estimated by Cominco personnel at December 31, 1984. The table also sets out the total ore production of zinc and lead from such properties during 1984, without deduction of reserves and production attributable to minority interests.

		Reserves-Proven & Probable (thousands of short tons)					Production (thousands of short tons)				
			Ore Grade and Tons of Contained Metal					Ore Grade and Tons of Contained Metal			
	% of Cominco	Ore	Zinc		Lead		Ore	Zinc		Lead	
	Ownership	Tons	%	Tons	%	Tons	Tons	%	Tons	%	Tons
Sullivan	100	44,000	6.3	2,772	4.4	1,936	2,725	4.0	109	5.1	139
Polaris	100	22,000	14.3	3,146	3.8	836	903	13.7	124	3.8	34
Pine Point	69	24,000	6.0	1,440	2.7	648	2,512	7.6	191	2.3	58
Magmont	50	7,900	1.2	95	6.5	514	1,115	2.1	23	7.1	79
Black Angel	63	2,000	10.1	202	3.3	66	744	11.0	82	3.0	22
Rubiales	48	11,000	6.8	748	1.1	121	1,016	8.0	81	1.2	12
Que River	42	2,100	12.1	254	7.0	147	218	14.9	32	8.6	19

In the above table and elsewhere under "Mines and Minerals" herein the term "proven" refers to a body of ore so extensively sampled that the risk of failure in continuity of the ore in such body is reduced to a minimum, and the term "probable" refers to a body of ore as to which the risk of failure in continuity is greater than for proven ore, but as to which the assumption of ore continuity is warranted.

In January 1985, Cominco sold shares from its existing holdings in Pine Point Mines Limited for $21 million. This sale reduced Cominco's interest in the company to 51% from 69%.

In 1977 Cominco commenced a phased program of rebuilding and expanding the Trail metallurgical plants and modernizing the Sullivan Mine, both located in British Columbia. The program is being staged to avoid interference with existing production levels. At the end of December 31, 1984, commitments for these and other projects amounted to $59 million, of which $54 million is expected to be spent in 1985.

The new zinc processing facilities at Trail which came into production in 1983 increased the annual capacity from 270,000 tons to 300,000 tons. The Sullivan Mine, which has been operating for 75 years, is being modernized by the introduction of mechanized mining methods in order to substantially improve its efficiency. This program is expected to be completed in 1985.

Cominco's production from the Sullivan Mine and most of the zinc concentrates and part of the lead concentrates produced from Pine Point, are

refined at the Trail metallurgical plants. The balance of Pine Point's production is exported either for sale on world markets or for processing at metallurgical plants owned by an associated lead smelter company in Japan, in which Cominco has a 45% interest. Lead concentrate from the Magmont Mine is tolled through a smelter in the United States, and Cominco's share of the resulting metal as well as the zinc concentrate is sold in the United States. The Polaris and Black Angel Mine zinc concentrates are either sold to European refineries or processed by non-affiliated companies for Cominco under a tolling arrangement. Refined zinc produced under these tolling arrangements is sold by Cominco in Europe. The lead concentrates are sold principally to smelters in Europe. The entire output of the Rubiales Mine has been contracted for sale to smelters in Spain under long term sales agreements. Ore from the Que River Mine is sold to a non-affiliated company.

Cominco owns the Polaris zinc-lead orebody on Little Cornwallis Island in the Canadian Arctic in the Northwest Territories, subject to a 25% royalty interest in the net profits from the project after the recovery of most of the capital costs. In late 1979 Cominco commenced development of the Polaris mine which was brought into production in early 1982 at a cost of $139 million, excluding capitalized interest. Of the estimated tonnage of 26.0 million tons of the Polaris orebody, there are 22.0 million tons of probable recoverable ore with a zinc grade of 14.3% and a lead grade of 3.8%. In addition to these established reserves, other mineralization is known to exist in the area of the Polaris orebody and further drilling studies will be necessary to evaluate fully these deposits.

On February 6, 1982, Cominco American Inc., a wholly-owned subsidiary of Cominco, reached an agreement with NANA Regional Corporation Inc., an Alaskan native corporation, to proceed with the evaluation and potential development of a large, high-grade zinc-lead-silver deposit, known as Red Dog, in northwestern Alaska, estimated to contain 85 million tons having an estimated grade of 17% zinc, 5% lead and 2.4 ounces of silver per ton.

Silver and Gold. In 1984 Cominco produced approximately 11.6 million ounces of silver of which 36% was from its own mines and the remainder from concentrate purchased from others. In 1984 Cominco produced 129,600 ounces of gold of which about 89,100 ounces came from its Con Mine in the Northwest Territories, 3,100 ounces came from the Buckhorn Mine in Nevada, U.S.A., and the remainder was recovered from concentrates purchased from others.

Chemicals and Fertilizers. Cominco owns and operates chemical and fertilizer plants in British Columbia, Alberta, Nebraska, Texas and California. Products produced include ammonia, ammonium nitrate, ammonium phosphate, ammonium sulphate, urea, urea-sulphur and trona. Metallurgical operations at Trail produce sulphuric acid as a by-product primarily for use in the manufacture of fertilizers. Cominco owns and operates a potash mine at Vade, Saskatchewan, which it estimates had extractable ore reserves at December 31, 1984, of approximately 150 million tons of ore with an estimated grade of 25.3% potassium oxide (K_2O). The expansion of production capacity at the potash mine from 0.9 million tons to 1.2 million tons per year was completed in 1982. During 1984 Cominco produced a total of 3.3 million tons of fertilizers, chemicals and potash.

Other Minerals. Cominco has a 100% interest in the Lake Zone orebody which is the largest known porphyry copper deposit in Canada and has the potential to become one of the largest copper mines in the world. This orebody is being developed on a staged basis and began production at the rate of 22,000 tons of ore per day early in 1983. In 1984, the milling rate was increased to 25,000 tons of ore per day.

Cominco holds a 47.1% interest in Aberfoyle Limited, an established mining and investment company, which directly and through its subsidiaries has interests in mines in Australia producing tin concentrate. Aberfoyle's 90% owned Que River zinc-lead-silver mine in Tasmania commenced production in 1981. During 1984, drilling at Hellyer, an important new zinc-lead-silver sulphide discovery, 3 kilometres north of Que River, has indicated approximately 18 million tons of ore grading 18.2% combined zinc/lead, 4.3 oz. silver and 0.1 oz. gold per ton. Underground exploration of the deposit will start in 1985. Cominco's share of the net assets of Aberfoyle totalled approximately $26.9 million at December 31, 1984.

Other Interests. In plants at Trail and Spokane, Washington, Cominco manufactures pure metal products and compound semiconductors for use in the electronics industry. Seventeen elements including aluminum, arsenic, gallium, gold, indium and tellurium are refined to high purity. They are then either sold directly or before sale fabricated into semiconductor packaging components, vapour deposition materials and fine bonding wire. The semiconductors cadmium mercury telluride, gallium arsenide and indium antimonide, are in commercial production for use in infrared radiation detection devices and high speed micro circuits.

Cominco owns two hydro-electric plants near Trail which provide electric power to its Trail and Kimberley industrial operations. West Kootenay Power and Light Company Limited, a wholly-owned subsidiary, owns and operates four hydro-electric plants to provide electric power to residential and industrial consumers in the Kootenay and Okanagan areas of southern British Columbia.

Cominco's other interests include Western Canada Steel Limited and its subsidiaries, which produce steel bars and other products from steel scrap, and a 50% interest in the Canada Metal Company Limited, a secondary lead refiner and producer of related metal products from operations across Canada.

Exploration. Cominco, its subsidiaries and associated companies maintain an active exploration program in many countries. The 1984 exploration expenditures by Cominco, its subsidiaries and associates amounted to $40.9 million in addition to $7.8 million spent on preparation work at the Red Dog property in Alaska. Zinc, lead and gold are the main targets of Cominco's exploration programs but a significant effort is also directed toward the search for silver, copper, tin, diamonds and phosphate rock.

Competition. Cominco competes with other nonferrous metal producers in Canada, the United States, Europe, Pacific Rim countries and South America. In fertilizers, Cominco competes with other fertilizer producers for markets in

Canada, the United States and overseas. These internationally traded commodities are sold at prevailing competitive prices in their respective markets.

Financing. Late in the year, Cominco sold some 1.25 million common shares for total proceeds of $20 million representing a 33% premium over the then current market value. The premium reflected payment by the purchaser for certain tax credits associated with the shares. Early in 1985, a similar transaction was arranged to raise approximately $15 million for Canadian exploration. The common shares will be issued during 1985 as the expenditures are incurred. Enterprises did not participate in these issues.

Coal. **Fording Coal Limited** ("Fording"), owned 60% by Enterprises and 40% by Cominco, is engaged in the development and processing of metallurgical (cleaned coking) coal and thermal (steam) coal reserves in Alberta and southeastern British Columbia. At December 31, 1984, Fording's estimate of proven reserves held was 187 million tonnes of cleaned coking coal and 1.5 billion tonnes of thermal coal. Fording produced and sold 4.0 million tonnes of cleaned coking coal in 1984. During 1984, 2.5 million tonnes were sold to Japanese steel interests pursuant to a commitment entered into in 1969 and extending to 1987 inclusive. Under this commitment the quantities nominated for shipment and the price are negotiated annually. At December 31, 1984, approximately 15 million tonnes, or 33% remained to be delivered under this commitment. Fording is only one of a large number of suppliers to the Japanese steel industry. The remaining 1.5 million tonnes of sales were made to various foreign interests.

During the year, the company continued the development of significant quantities of metallurgical coal reserves in its Eagle and Brownie Ridge mining areas. The Brownie Ridge area was brought into operation in March 1984 with the remaining development work on Eagle estimated to be completed in 1985. The development of these mining areas will provide the Company with a long term supply of a variety of metallurgical grade coal for export.

Fording is an equal participant in a joint venture with the City of Edmonton, the intent of which is to construct and operate a thermal coal mine near Genesee, Alberta. The production from the mine, which is dedicated to fuelling the Genesee Power Plant, will be sold under the terms of a cost of service arrangement. The mine is currently scheduled to commence commercial production in 1988 at a total estimated cost of $126 million including capitalized interest, of which Fording's share is $63 million.

The company is actively pursuing opportunities to develop its thermal coal reserves and diversify into various contract mining areas; to date no significant commitments have been entered into in this regard. Fording currently receives only a royalty from the production of its thermal coal reserves.

Steep Rock Resources Inc., ("Steep Rock"), formerly Steep Rock Iron Mines Limited, which is 79.6% owned by Enterprises, has been a processor of calcium carbonate products since late 1980 from its Calcite Division at Perth, Ontario. The company terminated its iron ore operations at Atikokan, Ontario in 1979 when mineable reserves were exhausted.

In late 1980, Steep Rock acquired, at a cost of $10 million, its Calcite Division at Perth, Ontario. During 1982 this division embarked on an expansion program to double the fine grind production capacity. The program was completed in 1983 at a total cost of $7.3 million.

Total calcite sales increased by about 25% during 1984 with the fine and medium fine grind products contributing 33.4% to the improvement. The higher sales and shift in product mix resulted in an increase in sales dollars of approximately 32% over 1983.

Steep Rock continues to examine various opportunities in the industrial minerals field, particularly in Eastern Ontario, and its gold exploration program in northwestern Ontario is continuing.

The company maintains a presence in the iron ore industry through the ownership of major ore reserves in its Lake St. Joseph property in northwestern Ontario.

Forest Products

Enterprises was first engaged in the forest products sector through the operations in British Columbia of its wholly-owned subsidiary **Pacific Forest Products Limited** ("PFP"). Early in 1971, Enterprises acquired a controlling interest in **Great Lakes Forest Products Limited** ("Great Lakes") which operates newsprint and pulp mills in central Canada. On October 1, 1981, Enterprises acquired all of the common shares of Canadian International Paper Company, now **CIP Inc.** ("CIP") for $1.1 billion. CIP is a major forest products corporation operating principally in Quebec and New Brunswick.

CIP Inc. is an integrated forest products corporation headquartered in Montreal, Quebec, engaged in the production of newsprint, bleached and unbleached kraftboard, corrugating medium, shipping containers, multiwall bags and milk cartons, paper pulps, facial and bathroom tissues and household towels, and building materials.

Shipments of principal products and net sales for the periods shown below were as follows:

	1984	1983	1982
Shipments (thousand tonnes)			
Newsprint	1,136	922	830
Kraftboard and Packaging Material	383	351	289
Pulp	61	53	85
Tissue	62	60	50
Total	1,642	1,386	1,254
Net sales (millions)	$1,474	$1,213	$1,127

Approximately 40.0% of CIP's sales were made to the United States market and 17.5% to the overseas market. Prices on most export sales are quoted in U.S. dollars and as a result, revenues and net income are affected by fluctuations in the rate of exchange between Canadian and U.S. dollars.

CIP is one of the world's largest producers and marketers of newsprint, accounting in 1984 for approximately 4% of the free world market. CIP is one of only three suppliers that have a significant market share position in all regions of North America east of the Rockies in both standard and gravure grade newsprint and the company is an important factor in newsprint traded internationally in offshore markets. The three newsprint mills of CIP are located in eastern Canada. The mill at Gatineau, Quebec with a capacity of 480,000 tonnes per year is one of the largest newsprint producing units in the world and is dedicated to standard grade newsprint marketed in eastern North America. The mill at Dalhousie, New Brunswick, in which CIP has a 67% equity interest, has a capacity of 355,000 tonnes per year and produces standard as well as gravure and specialty grades of newsprint marketed offshore and in eastern North America. A major program to modernize and expand the annual capacity of this mill by 100,000 tonnes was completed in 1983 at a cost of approximately $164 million. The Trois-Rivières, Quebec mill has a capacity of 315,000 tonnes per year and is dedicated to gravure and specialty grades.

The kraftboard and packaging operations of CIP consist of mills and plants located principally in eastern Canada. The mill at La Tuque, Quebec has a capacity of 224,000 tonnes per year of linerboard and the Matane, Quebec mill has a capacity of 82,000 tonnes per year of corrugating medium. The La Tuque mill also produces bleached board with a capacity of 90,000 tonnes per year. There are container plants in St. John's, Newfoundland, Pointe-aux-Trembles and Vaudreuil, Quebec and Burlington, London, Markham and Rexdale, Ontario. CIP's bag plants in Pointe-aux-Trembles, Quebec, and Regina, Saskatchewan, manufacture multiwall shipping sacks. The Pointe-aux-Trembles plant also produces printed

rolls and sheets and uses coating and laminating extruders for a wide range of polyethylene coated products. Three plants located at St. Leonard, Quebec, Markham, Ontario, and Calgary, Alberta, convert CIP's polycoated milk carton stock into cartons for packaging liquids such as milk and juice. Its plants have a capacity of 31,000 tonnes per year.

Sulphate pulp is produced at the La Tuque mill which has an annual capacity of 148,000 tonnes, a substantial portion of which is used by other CIP mills in the production of newsprint and tissue.

Through Dominion Cellulose Limited and its wholly-owned subsidiary, Facelle Company Limited ("Facelle"), CIP is a major Canadian manufacturer of consumer tissue goods at its Toronto, Ontario plant which has a capacity of 90,000 tonnes per year. CIP is engaged in the manufacturing and Facelle in the marketing of facial tissue, bathroom tissue and household towels in both national and private label brands for the consumer market. Facelle holds established consumer franchises, a national distribution network and strong trade relationships.

CIP Daxion Inc., a wholly-owned subsidiary of CIP, sells paper, retail packaging materials, food service disposables and non-perishable food products through sales offices in 18 major Canadian cities from Victoria to Halifax. This company was sold on February 28, 1985.

Canexel Inc. ("Canexel"), formerly Masonite Canada Inc., a wholly-owned subsidiary of CIP, operates a manufacturing facility at Gatineau, Quebec, which produces mineral ceiling board. Canexel also operates a plant, located at East River, Nova Scotia, which manufactures industrial hardboard products and interior wall, ceiling and door panels. It distributes its products nationally through building materials distributors, dealers and franchised contractors and also exports some of its products to the United States, Europe, Australia, Latin America and Africa. On February 14, 1985, Canexel ceased operations of its Gatineau Hardboard plant. Successive years of low housing starts coupled with increased competition from substitute products have resulted in the consolidation of production at the East River plant.

In support of its manufacturing operations, CIP has timber harvesting licencing arrangements in the Provinces of Quebec and New Brunswick, plus, in the Province of Quebec, additional wood volume harvesting rights exercisable in the event of an insufficiency of wood chips. The area held under government licences is 37,777 square kilometres (14,586 square miles). CIP also owns in fee 5,507 square kilometres (2,126 square miles) of timberlands. These timberlands are well situated in relation to CIP's manufacturing facilities and the harvest from them, supplemented by the purchase of wood chips and round wood, is adequate to support CIP's operations on a continuing basis.

In January 1983, CIP acquired an option to purchase the remaining 50% interest held in Tahsis Company Ltd. ("Tahsis") from its joint venture partner for $2.3 million. Late in 1984, CIP exercised this option. Tahsis operates a bleached sulphate pulp mill at Gold River, on the west coast of Vancouver Island. The annual capacity of the pulp mill is 232,000 tonnes per year. Tahsis

also operates a hemlock sawmill and a cedar sawmill at Tahsis on the west coast of Vancouver Island and a lumber remanufacturing plant in Burnaby, British Columbia. The capacity of the hemlock sawmill is 170 million board feet, that of the cedar sawmill, 46 million board feet and that of the remanufacturing plant, 50 million board feet. Tahsis carries on logging operations on 783 square miles of licenced timberlands on Vancouver Island and has additional harvesting rights measured in wood volume. Pacific Forest Products Limited and Tahsis were amalgamated under the name CIP Forest Products Inc., effective January 1, 1985.

Labour Agreements. Labour contracts with most of CIP's woodlands and primary mills were negotiated in 1984 for a period of three years to 1987. Contracts with most converting plants must be renegotiated in 1985.

Financing. During the year CIP Inc. reduced its consolidated long term debt by $306 million largely with proceeds of $175 million received from Enterprises in the form of a non-interest bearing demand loan and with the proceeds of $92 million received by NBIP Limited on the sale to PanCanadian of investment tax credits and income tax losses. The sale was accomplished by means of a corporate restructuring. The consolidation of Tahsis in 1984 for the first time resulted in additional long term debt of $51 million being recorded on the balance sheet.

Great Lakes Forest Products Limited ("Great Lakes"). Enterprises owns 54.3% of the shares of Great Lakes. The head office of Great Lakes is in Thunder Bay, Ontario, and its principal manufacturing facilities consist of four newsprint machines, two kraft pulp mills, a stud lumber mill and a waferboard plant at Thunder Bay and a kraft pulp mill, a fine paper mill and a stud lumber mill at Dryden, Ontario.

The wood resources supplying these facilities encompass some 20,500 square miles on which Great Lakes has exclusive cutting rights under a combination of long term licences and forest management agreements with the Province of Ontario. These timberlands are well situated in relation to Great Lakes' manufacturing facilities and the harvest from them is adequate to support Great Lakes' operations on a continuing basis.

Shipments of principal products of Great Lakes and its net sales for the three years ended December 31, 1984 are shown in the following table. Shipments increased in 1983 and 1984 due to stronger market demand, the start-up of new facilities and improved operating rates. While depressed prices restricted the increase in net sales in 1983, improved net selling prices for newsprint, kraft pulp and fine papers were largely responsible for the increase in net sales in 1984.

	1984	1983	1982
Pulp and Paper			
Newsprint (thousand tonnes)	398	393	360
Kraft Pulp (thousand tonnes)	559	531	380
Fine Papers (thousand tonnes)	59	46	44
Total (thousand tonnes)	1,016	970	784
Building products			
Lumber (million board feet)	162	137	114
Waferboard (million square feet - 3/8")	107	73	15
Net Sales			
Pulp and Paper (millions)	$ 555	$453	$416
Building Products (millions)	47	42	22
Total Net Sales (millions)	$ 602	$495	$438

For the past three years, approximately 82% of Great Lakes' net sales were made to the United States market. For 1982, an additional 4% was sold to other export markets, and for 1983 and 1984, this percentage was approximately 5% due to increased shipments to the Far East. The remaining net sales, which are largely fine papers and building products, are to domestic markets.

Great Lakes' newsprint is sold to newspaper publishers in the northern and central United States. Kraft pulp is sold to converters in a wider area of the United States, with some tonnage being shipped offshore, principally for use in consumer products and for making fine paper. Kraft pulp and newsprint are generally sold under long term contracts with provisions for price changes. Fine papers are sold largely to customers in central and western Canada mainly for use as printing, writing and envelope papers. Great Lakes markets its lumber and waferboard through a separate exclusive sales agent.

In 1984, Great Lakes completed the modernization and expansion of its Dryden facilities which began in 1980. This $350 million program entailed replacing 80 percent of the kraft pulp mill, construction of a new stud lumber mill and the installation of a large fine paper machine as well as construction of the necessary environmental facilities to meet government standards. The new pulp mill commenced operations in January 1983, the new stud lumber mill went into operation late in the second quarter of 1983, and the new fine paper machine started up in April 1984.

On November 28, 1984 Great Lakes announced its intention to participate with five U.S. newspaper publishers in a joint venture to construct and operate a 154,000 metric-ton-per-year newsprint mill in northeastern Washington State. Estimated development and construction costs for the project would be in excess

of U.S. $210 million excluding financing costs and working capital. Great Lakes' 40 percent participation in the venture would involve an investment of approximately U.S. $25 million through a wholly-owned U.S. subsidiary which would build and operate the mill. The five newspaper publishers who would collectively represent the remaining 60 percent participation in the project would enter into firm contracts to purchase more than 80 percent of the total mill output. The project, which still requires the approval of environmental and other authorities and financing arrangements, could be completed by mid-1987.

Labour Agreements. In 1984 Great Lakes signed three-year labour agreements with all unions representing its employees extending to various expiry dates between April 30 and September 30, 1987.

Pacific Forest Products Limited ("PFP"), is a wholly-owned subsidiary of Enterprises engaged in developing timber resources and manufacturing wood products in British Columbia. It carries on logging operations itself and through independent contractors. PFP owns two modern lumber manufacturing complexes with a combined cutting capacity of 192 million board feet of lumber per year. Pacific Forest Products Limited and Tahsis were amalgamated under the name CIP Forest Products Inc., effective January 1, 1985.

The lumber market decline which started in 1980 continued to affect results through 1984. During 1984 sawmill operations returned to more normal levels, however, continuing poor panelboard markets resulted in the permanent shutdown of the company's plywood operations. PFP also has a majority interest in Mayo Forest Products Ltd. which owns a third mill specialized for the Japanese market with a rated capacity of 85 million board feet per year. The output from this mill, which commenced full operations in July 1980, exceeded its rated capacity in 1984.

PFP's log production, lumber sales volume and forest products sales for the three years ended December 31, 1984 were:

	1984	1983	1982
Log Production (million board feet)	280	331	215
Lumber Sales Volume (million board feet)	193	212	145
Forest Products Sales (millions)	$108	$122	$103

PFP owns 125,000 hectares of fee simple land on southern Vancouver Island and mainland British Columbia. The forest land component of 121,000 hectares is capable of sustaining an annual cut of at least 175 million board feet through the year 2000 with a substantial increase in yield thereafter. It also holds directly and indirectly annual cutting rights from the Province of British Columbia for approximately 110 million board feet. Crown timber licences and other non-renewable tenures are estimated at 300 million board feet. PFP also purchases logs from others. PFP's forestry program included the planting during 1984 of 1.4 million trees on 1,380 hectares.

Approximately 60% of PFP's log production is used in its own lumber manufacturing operations, about 30% is marketed in the highly competitive Vancouver log market and the remainder is exported to the United States and the Far East. Substantially all of PFP's lumber production is marketed on the eastern seaboard of the United States and in the Pacific Rim.

Commandant Properties, Limited, a wholly-owned subsidiary of Enterprises, owns approximately 100 square miles of fee simple land, mostly forest, at Montebello, Quebec, and is engaged in the cutting and selling of pulpwood and sawlogs.

Iron and Steel

Iron and Steel Production. Enterprises owns 61.2% of the common shares of **The Algoma Steel Corporation, Limited** ("Algoma"), a vertically integrated steel producer with production facilities located at Sault Ste. Marie, Ontario. Annual raw steel production capability is approximately 3.5 million tons and this tonnage can be processed into semi-finished steel products. Algoma produces and sells a variety of steel products including plate, sheet and strip, structurals, rails and fastenings and seamless tubular products, as well as coal, coke and coal tar chemicals.

The Canadian operations of Algoma are comprised of three divisions: the Ore Division, which mines and beneficiates iron ore at Wawa, Ontario; the Steelworks Division, which operates a steel plant and produces finished rolled steel at Sault Ste. Marie, Ontario; and the Tube Division, which produces seamless tubular products at Sault Ste. Marie, Ontario. United States activities, which support Algoma's iron and steel production, include participation in the Tilden iron ore joint venture in Michigan and the operation of coal mines in West Virginia through Cannelton Industries, Inc.

The following table summarizes Algoma's sales, production and shipments for the 1982-1984 period:

	1984	1983	1982
		(in millions)	
Sales	$1,104	$860	$ 874
		(thousands of tons)	
Raw Steel Production	2,528	2,306	1,899
Shipments-Steel Products	1,951	1,757	1,472
Shipments			
Plate and Sheet	64%	66%	63%
Structurals and Rails	21	24	24
Seamless Tubes and Skelp	15	8	11
Other	-	2	2
	100%	100%	100%

Higher volumes, an improved product mix, and more effective cost control were favourable factors in 1984. Order backlog decreased slightly from $162 million at December 31, 1983, to $157 million at December 31, 1984.

In 1984, Algoma was the third largest producer of raw steel in Canada, accounting for approximately 16% of domestic production. Shipments of steel products accounted for approximately 90% of its consolidated sales. These products were sold throughout Canada (primarily in Ontario) and in certain regions in the United States. Algoma competes not only with other Canadian and United States steelmakers, but also with European and Asian steel companies.

Manufacturing operations continued to operate at reduced levels during 1984. Principal objectives were to stop the cash drain, eliminate operating losses, find a way to finance the completion of the tube mill and implement customer service and quality initiatives that would enhance Algoma's image in the market place. By year-end, considerable progress had been made and the outlook was positive for a return to profitability. The markets for sheet and strip and tubular products were reasonably strong in 1984. A recovery for plate and wide flange shapes was less apparent but these products too are now seeing some upward movement.

Capital spending declined from $32 million in 1983 to $24 million in 1984. As in 1983, spending was restricted to projects which clearly provided cost savings and quality improvements.

Algoma has announced the resumption of construction of its seamless tube mill, which had been suspended in October 1982 because of poor market conditions. In February 1985, Algoma and Canadian Pacific Limited entered into a limited partnership arrangement in which Algoma is the general partner and CP Limited the sole limited partner. The partnership will complete construction of the new seamless tube mill. The funds to complete this mill, estimated at $150 million, will be supplied principally by CP Limited in exchange for tax benefits that will accrue to that company. Algoma, as the general partner, will manage the partnership. The new tube mill is scheduled for start up in the first quarter of 1987.

About 98% of Algoma's iron ore requirements (which were 3.4 million long tons in 1984) are obtained from properties which it owns or in which it has an equity interest. Algoma owns a mining and sintering operation at Wawa, Ontario, with annual capacity to produce 2.0 million long tons of sinter. Proven and probable recoverable reserves (with a grade of approximately 35% iron) were estimated at January 1, 1984 to be sufficient to produce 2.0 million long tons of superflux sinter (48% iron) annually for approximately 19 years. Through a subsidiary, Algoma holds a 30% interest in the Tilden Mine joint venture which mines and pelletizes iron ore at its property in northern Michigan. Operations commenced in late 1974 and the annual rated capacity of the mine increased from 4 to 8 million long tons of pellets, upon completion in late 1979 of an expansion program. Pellet production in 1984 was 5.3 million long tons and in 1983 was 4.3 million long tons. Proven and probable recoverable reserves from the Tilden Mine

consist of crude ore (with a grade of approximately 35% iron) sufficient to produce 8.0 million long tons of pellets (65% iron) annually for approximately 29 years.

Most of the metallurgical coal required for Algoma's operations is supplied by Algoma's own mines in West Virginia. Current annual capacity of these mines is approximately 1.1 million tons of high volatile metallurgical coal and 1.3 million tons of low volatile metallurgical coal which are blended in prescribed portions and charged in its ovens to produce coke of the quality used in its blast furnaces. In 1984, production of high volatile coal was approximately 0.9 million tons and of low volatile coal was approximately 1.2 million tons. Low volatile coal production exceeds Algoma's requirements and 5 million tons are being sold under a 12 year contract under which shipments commenced in 1976. In 1984, sale of metallurgical coal to third parties totalled 0.7 million tons and steam coal shipments totalled a record 1.1 million tons.

Metallurgical coal is recovered by both surface and underground mining. Proven and probable recoverable reserves of high and low volatile metallurgical coal were estimated at December 31, 1984 to be sufficient to permit the mining of coal at planned levels of operations for over 30 years.

The Manitoba Rolling Mills Division of **AMCA International Limited** ("AMCA") located in Selkirk produces a wide range of bars, small structural shapes, reinforcing steel and special sections in a variety of specifications. Annual capacity of the mill is 250,000 tons of finished product.

Manufacturing, Engineering and Construction Activities. Enterprises has a direct interest in AMCA of 16.2% and Algoma has a 34.5% interest. AMCA is an important customer of Algoma and is engaged principally in manufacturing, engineering and construction activities. It manufactures machine tools, industrial products, including aerospace and auto components, food processing machinery, single point marine terminals and metal forming machinery; is engaged in engineering and construction of turn-key refineries, petrochemical and industrial plants and pre-engineered building systems; manufactures material handling equipment including cranes and derricks, construction and marine equipment; designs, constructs and operates bulk material handling systems; produces steel and fabricates, distributes and erects steel products and structures; and manufactures generation and transmission equipment for fossil fuel, nuclear, hydroelectric and tidal power, and waste conversion resources.

AMCA's divisions and subsidiaries are located primarily in the United States and Canada and also have manufacturing and distribution facilities in Europe, Africa, the Far East and Australia. Currently they have approximately 16,000 employees in 80 operating plants in eight countries serving markets for their products and services in over 100 countries. AMCA competes in Canada, the United States and elsewhere with domestic and international companies.

AMCA's backlog orders amounted to $733 million at December 31, 1984, compared with $678 million at the end of 1983.

In July 1982, AMCA acquired Giddings & Lewis, Inc., a U.S. company engaged in the design, manufacture and sale of machine tools, machine tool accessories and industrial products. The aggregate acquisition cost for all of the shares was approximately U.S. $310 million.

Financing. During 1983, Algoma issued $95 million of convertible preference shares, the proceeds of which were used to reduce short term debt. Enterprises' interest in Algoma would be reduced to 50.3% from 61.2% assuming conversion of these preference shares.

During 1984, AMCA International completed an issue of four million cumulative redeemable convertible preferred shares for total proceeds of $100 million. Enterprises purchased concurrently, at the public offering price, a sufficient number of such shares to maintain its and Algoma's combined interest totalling approximately 50.7% on the assumption of eventual full conversion of the preferred shares. Proceeds were used to retire short term debt.

Real Estate

Marathon Realty Company Limited ("Marathon"), a wholly-owned subsidiary of Enterprises, is engaged in the management and development of real estate. In 1967, Marathon acquired certain real estate interests from Canadian Pacific Limited not required for railway purposes, some of which had development potential. Since that time Marathon has acquired and continues to acquire from others income-producing properties and lands suitable for near term development.

Marathon owns real estate developments in Canada and the United States, including shopping centres such as Place Laurier in Ste. Foy, Quebec and Dufferin Mall in Toronto and Orchard Park in Kelowna, British Columbia; office buildings such as University Place in Toronto, Palliser Square in Calgary, Place du Canada in Montreal and 595 Market Street in San Francisco; industrial and aviation-related buildings in and near major cities; and several industrial and business parks completed or under development such as Mayfair Industrial Park in Coquitlam, British Columbia, and International Commerce Center in Hayward, California.

The following table shows Marathon's completed properties as of December 31, 1984:

	Number of Buildings	Leasable Area (thousands of square feet)
Canada:		
Shopping Centres	26	6,756 (1)
Office Buildings	43	7,626 (2)
Industrial Buildings	94	4,408
Aviation-Related Facilities	18	1,829 (3)
Other Commercial Buildings	18	390
Residential Apartment Buildings (424 units)	2	330
United States:		
Office Buildings	7	1,525 (4)
Industrial Buildings	27	763

(1) Includes 258,000 square feet in which Marathon has a 75% interest, 34,000 square feet in which Marathon has a 55% interest and 237,000 square feet in which Marathon has a 50% interest.

(2) Includes 613,000 square feet in which Marathon has a 54% interest.

(3) Includes 1,319,000 square feet in which Marathon has a 76% interest and 510,000 square feet in which Marathon has a 38% interest.

(4) Includes 617,000 square feet in which Marathon has a 50% interest.

In addition, there is an office building under construction in Montreal with leasable area of 578,000 square feet, in which Marathon has a 33 1/3% interest.

The growth of Marathon's gross revenue from rental properties is shown in the following table:

	1984	1983 (in thousands)	1982
Building Rentals			
Shopping Centres	$ 69,153	$ 61,104	$ 53,015
Office Buildings	94,981	92,869	84,704
Industrial Buildings and Aviation-Related Facilities	29,014	27,126	27,057
Residential Buildings	2,079	2,253	2,346
Other Commercial Buildings	1,580	1,938	3,359
	196,807	185,290	170,481
Land Rentals			
Agricultural	5,409	5,211	4,602
Non-Agricultural	11,541	10,473	10,531
	16,950	15,684	15,133
Total rentals	$213,757	$200,974	$185,614

The provision of rental space in shopping centres, office buildings and industrial buildings is a highly competitive business and Marathon occupies a small share of the market.

Agriproducts

In July 1980, a U.S. subsidiary of Enterprises acquired all the common stock of Norin Corp. ("Norin"). The principal business acquired was **Maple Leaf Mills Limited** ("Maple Leaf"), a wholly-owned Canadian corporation, which in 1979 together with its subsidiaries accounted for approximately 93% of Norin's total revenues. The remainder of Norin's business was conducted in the United States and consisted mainly of the ownership of real estate and resort operations, and the sale of food products. Other subsidiaries of Enterprises acquired the real estate and food product businesses which have been subsequently sold.

Maple Leaf is engaged in the processing, distribution, and marketing of a variety of food and agricultural products, primarily in Canada. Maple Leaf's major classes of business, and revenues from each of them from 1982 through 1984 were as follows:

	1984	1983 (in millions)	1982
Agricultural Products	$603	$ 690	$598
Flour and Other Food Products	370	332	308
	$973	$1,022	$906

Agricultural Products. This class of business includes the production and marketing of animal and poultry feeds; processing and marketing of poultry products; trading and merchandising of grain in Canada and the U.S., and operation of grain elevators; rendering, which is recycling of animal waste by-products into fats and protein for edible oils, animal feeds and industrial products; the processing of oilseeds and the selling of vegetable oils and meals through Maple Leaf Monarch Company; and providing management assistance to associated companies overseas.

Flour and Other Food Products. This class of business includes milling and marketing a variety of wheat flours and the production and marketing of a variety of consumer grocery products, bakery goods and pet foods under several brand names. Maple Leaf sells, throughout Canada, a variety of wheat flours and produces special flours for food manufacturers. Maple Leaf, one of Canada's largest flour millers, has approximately 25% of total Canadian milling capacity. In 1984, Maple Leaf sold approximately 420,000 tonnes (370,000 tonnes in 1983) of flour in Canada, accounting for an estimated 25% of total Canadian flour sales. Flour export sales for 1984 were 101,200 tonnes (66,700 tonnes in 1983) of which about 47,400 tonnes (41,300 tonnes in 1983) were to one customer. Maple Leaf competes in Canada with two large national flour millers, a number of regional millers and local millers.

Maple Leaf, through its subsidiaries, Corporate Foods Limited and Eastern Bakeries Limited, manufactures and sells a substantial portion of the bakery products marketed in eastern Canada. Maple Leaf also has a 40% equity interest in McGavin Foods Limited, which currently supplies a significant portion of the retail baked bread and roll market in western Canada.

CanPac AgriProducts Limited was liquidated in 1984. As a result of this transaction, **Baker Commodities, Inc.** (Baker) and **Theresa Friedman and Sons, Inc.** (Theresa Friedman) became indirectly wholly-owned subsidiaries of Enterprises. Baker, a major U.S. rendering company with operations in California, New Mexico, Arizona, Oregon, Washington, Hawaii, Massachusetts, New York and in the Republic of Korea, was sold in 1985. Theresa Friedman is engaged in the processing and packaging of fruit preserves, jams and jellies.

Other Businesses

Canadian Pacific Hotels Limited, a wholly-owned subsidiary of Enterprises, was sold to Canadian Pacific Air Lines, Limited late in 1983 for $125 million.

Syracuse China Corporation, an indirectly wholly-owned subsidiary of Enterprises, operates plants in Syracuse, New York, and in Joliette, Quebec under the Syracuse China name, and in Beaver Falls, Pennsylvania under the name of Mayer China Company which it acquired in December 1984. It manufactures one of the largest selling brands of commercial chinaware in the United States and in Canada is a major manufacturer of commercial chinaware.

Processed Minerals Incorporated, an indirectly wholly-owned subsidiary of Enterprises, was incorporated in 1979 to acquire the Carey Salt and NYCO

divisions of Interpace Corporation. Carey Salt, based in Kansas, produces and markets salt and dehydrated products for a variety of uses. The NYCO division, located in New York State, mines, processes and markets wollastonite, a non-metallic mineral used in the manufacture of ceramics, plastics, coatings, refractories and fire resistant wallboard.

Financial

Chateau Insurance Company ("Chateau"), which is 99.98% owned by Enterprises, is federally licenced to transact most classes of insurance with the exception of life and annuities. Chateau concentrates on the underwriting of commercial and industrial accounts.

Canadian Pacific Securities Limited, a wholly-owned subsidiary of Enterprises, raises monies by way of bank loans, short term promissory notes and medium and long term debt in order to provide financing for various companies in the Enterprises group.

Canadian Pacific Enterprises Limited - Corporate activities. In December 1984, Canadian Pacific Enterprises (International) B.V. and Canadian Pacific Enterprises (Finance) N.V., subsidiaries located in the Netherlands and the Netherlands Antilles respectively, were dissolved. This entailed the retirement of loans between the Enterprises (U.S.) group of companies and Enterprises (Finance). Subsequently these funds, together with a substantial portion of the sale proceeds of Baker Commodities, were repatriated to the Corporation. Enterprises (U.S.) replaced the debt obligation with direct borrowings in the United States.

Most of the funds repatriated as well as the proceeds of the preferred share issue of Enterprises in May 1984 were lent to CIP Inc. as a $175 million non-interest bearing loan.

Environmental Expenditures

Capital expenditures of Enterprises and its subsidiaries required to comply with government environmental regulations principally in Canada totalled $17 million in 1984 and are estimated at $22 million for 1985 and $40 million for 1986. Actual and estimated expenditures for such periods by principal subsidiaries are set forth in the following table:

	Actual 1984	Estimated 1985 (in millions)	Estimated 1986
Cominco	$ 6	$ 8	$13
CIP Inc.	7	8	3
Great Lakes	1	-	3
Algoma	2	5	20
All Others	1	1	1
Total	$17	$22	$40

Employees

Enterprises and its subsidiaries employ approximately 46,000 persons in Canada and 17,000 persons in the United States and other countries.

Item 2. Properties

Information on properties has been included with the description of the various areas of operation of the Registrant's business in Item 1.

Item 3. Legal Proceedings

Not applicable.

Item 4. Results of Votes of Security Holders

Not applicable.

Executive Officers of the Registrant

Name	Age	All positions and offices with registrant	Term of office
Robert W. Campbell	62	Chairman; Chief Executive Officer; Director; Member Executive Committee; and Member Nominating Committee	Elected annually after each annual meeting
S.E. Eagles	55	President; Director; and Member Executive Committee	Elected annually after each annual meeting
L.T. Beare	41	Vice-President and General Counsel	No term applicable
J.F. Hankinson	41	Vice-President Finance and Accounting	No term applicable
Gordon S. MacLean	64	Vice-President Administration and Secretary	No term applicable
Richard A. Norris	41	Comptroller	No term applicable
Berj J. Zafirian	41	Treasurer	No term applicable

Mr. Campbell became Chairman of the Corporation on April 27, 1984, prior to which he served as Vice-Chairman of the Corporation since February 5, 1982 and has been Chairman of the Board of PanCanadian Petroleum Limited for more than five years. Mr. Eagles became President of the Corporation on July 1, 1983 and, prior thereto, for more than five years, was Chairman and President of Marathon Realty Company Limited. Mr. Beare was appointed Vice-President and General Counsel on January 1, 1984, prior to which he had served as a legal officer of the Corporation and one of its affiliates since 1976. Mr. Hankinson has held his present office since July 1, 1981, prior to which he had served as a financial officer of an affiliate since 1973. Mr. MacLean has served as Corporate Secretary since 1972. Mr. Norris was appointed Comptroller in February 1984, prior to which he had served as a financial officer of the Registrant and its affiliates since 1977. Mr. Zafirian was appointed Treasurer in May 1980, prior to which he had served as a financial officer of the Registrant and its affiliates since 1973.

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

Item 6. Selected Financial Data

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 8. Financial Statements and Supplementary Data

Items 5 to 8 inclusive are incorporated by reference to the Registrant's Annual Report to Shareholders for the year ended December 31, 1984 (Exhibit 13).

Item 9. Disagreements on Accounting and Financial Disclosure

Not applicable

PART III

Item 10. Directors and Executive Officers of the Registrant

Item 11. Executive Compensation

Item 12. Security Ownership of Certain Beneficial Owners and Management

Item 13. Certain Relationships and Related Transactions

The items in this part are incorporated by reference to the Registrant's Proxy Statement for Annual Meeting of Shareholders, April 26, 1985, filed with the Commission on March 19, 1985.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) Documents filed as part of Form 10-K

	Pages
Report of Independent Accountants on Financial Statement Schedules	37
Financial Statement Schedules:	
Schedule V - Properties	38-40
Schedule VI - Accumulated Depreciation, Depletion and Amortization	41-43
Schedule IX - Short Term Borrowings	44
Schedule X - Supplementary Income Statement Information	45

Exhibits:

Exhibit Number	Description of Exhibit	Pages
3-(a)	Articles of Continuance (Incorporated by reference to Form 10 filed July 2, 1980, as amended July 21, 1980)	-
3-(b)	Bylaws (Incorporated by reference to Form 10 filed July 2, 1980, as amended July 21, 1980)	-
4	No instrument with respect to long term debt of the Registrant and its consolidated subsidiaries is filed hereunder since the securities authorized under any such instrument do not exceed 10% of the total assets of the Registrant and its subsidiaries on a consolidated basis and the Registrant hereby agrees to furnish a copy of any such instrument to the Securities and Exchange Commission on request	-
10	Agreement between the Corporation and Mr. Robert W. Campbell concerning Mr. Campbell's retirement benefits (Incorporated by reference to Exhibit 10 of annual report on Form 10K for the fiscal year ended December 31, 1982 filed March 29, 1983)	-
13	Annual Report to the Shareholders for the year ended December 31, 1984 (furnished for the information of the Commission and not to be deemed to be filed herewith except as expressly incorporated by reference herein)	-
22	Subsidiaries of the Registrant	-

All other exhibits and schedules are omitted as being inapplicable.

(b) Reports on Form 8-K

No reports on Form 8-K have been filed during the last quarter of 1984.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 27th day of March, 1985.

Canadian Pacific Enterprises Limited
Registrant

By: J.F. HANKINSON
J.F. Hankinson
Vice-President Finance and Accounting

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 27th day of March, 1985.

Signature	Capacity
ROBERT W. CAMPBELL Robert W. Campbell	Chairman, Chief Executive Officer (Principal Executive Officer) and a Director
J.F. HANKINSON J.F. Hankinson	Vice-President Finance and Accounting (Principal Financial and Accounting Officer)
M.N. ANDERSON M. Norman Anderson	Director
F.S. BURBIDGE F.S. Burbidge	Director
P. DESMARAIS Paul Desmarais	Director
S.E. EAGLES S.E. Eagles	Director

SIGNATURES (Continued)

Signature	Capacity
T.M. GALT Thomas M. Galt	Director
A.A. MACNAUGHTON Angus A. MacNaughton	Director
W.E. MCLAUGHLIN W. Earle McLaughlin	Director
P.A. NEPVEU Paul A. Nepveu	Director
C.D. REEKIE C. Douglas Reekie	Director
R.D. SOUTHERN R.D. Southern	Director
W.W. STINSON William W. Stinson	Director
R. WOLFE Ray D. Wolfe	Director

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULES

To the Directors of
Canadian Pacific Enterprises Limited:

Our examination of the consolidated financial statements referred to in our report dated February 28, 1985 appearing on page 22 of the 1984 Annual Report to Shareholders of Canadian Pacific Enterprises Limited (which report and financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an examination of the Financial Statement Schedules listed in Item 14(a) of this Form 10-K. In our opinion, these Financial Statement Schedules present fairly the information set forth therein when read in conjunction with the related consolidated financial statements.

Price Waterhouse

Calgary, Alberta
February 28, 1985

CANADIAN PACIFIC ENTERPRISES LIMITED

Schedule V - Properties
(in thousands)

Description	Balance January 1, 1984	Additions at Cost	Retirements	Other Changes Add/(Deduct) (a)	Balance December 31, 1984
Oil and gas	$ 2,265,730	$283,878	$ 7,872	$ 4,369	$ 2,546,105
Mines and minerals	2,413,289	152,506	16,207	1,047	2,550,635
Forest products	2,278,009	91,736	8,731	120,896 (b)	2,481,910
Iron and steel	2,087,303	60,909	47,703	27,020	2,127,529
Real estate	1,234,624	105,889	69,812	30,834	1,301,535
Agriproducts	315,916	16,885	5,094	6,925	334,632
Other businesses	70,964	4,253	1,461	10,219	83,975
Financial	1,775	281	109	21	1,968
	$10,667,610	$716,337	$156,989	$201,331	$11,428,289

(a) Includes the effect of adoption of CICA recommendations on foreign currency translation, as described in Note 16 of the Corporation's Annual Report.

(b) Includes $122,138 for Tahsis consolidated December, 1984 following purchase of the 50% interest not already owned.

(c) The Corporation's depreciation policy is noted in the Summary of Significant Accounting Policies included in the Corporation's Annual Report (Exhibit 13).

CANADIAN PACIFIC ENTERPRISES LIMITED

Schedule V - Properties
(in thousands)

Description	Balance January 1, 1983	Additions at Cost	Retirements	Other Changes Add/(Deduct)	Balance December 31, 1983
Oil and gas	$ 2,045,766	$222,495	$ 2,314	$ (217)	$ 2,265,730
Mines and minerals	2,327,356	122,893	13,682	(23,278)	2,413,289
Forest products	2,176,261	95,873	10,562	16,437	2,278,009
Iron and steel	2,066,823	62,564	42,712	628	2,087,303
Real estate	1,194,486	93,377	53,040	(199)	1,234,624
Agriproducts	268,265	24,231	8,706	32,126	315,916
Other businesses	312,072	18,575	1,705	(257,978) (a)	70,964
Financial	1,717	61	2	(1)	1,775
	$10,392,746	$640,069	$132,723	$(232,482)	$10,667,610

(a) Includes sale of CP Hotels.

(b) The Corporation's depreciation policy is noted in the Summary of Significant Accounting Policies included in the Corporation's Annual Report (Exhibit 13).

CANADIAN PACIFIC ENTERPRISES LIMITED

Schedule V - Properties
(in thousands)

	Balance January 1, 1982	Additions at Cost	Retirements	Other Changes Add/(Deduct)	Balance December 31, 1982
Oil and gas	$1,768,498	$ 278,797	$ 876	$ (653)	$ 2,045,766
Mines and minerals	2,093,333	283,291	39,050	(10,218)	2,327,356
Forest products	1,885,893	271,491	4,793	23,670 (a)	2,176,261
Iron and steel	1,727,815	222,276	29,554	146,286 (b)	2,066,823
Real estate	1,070,873	161,659	37,847	(199)	1,194,486
Agriproducts	243,021	25,147	4,161	4,258	268,265
Other businesses	291,111	22,106	1,640	495	312,072
Financial	1,516	610	427	18	1,717
	$9,082,060	$1,265,377	$118,348	$163,657	$10,392,746

(a) Includes $23,205 for Masonite Canada Ltd. consolidated June 1982 following purchase of the 50% interest not already owned.

(b) Includes $162,539 for Giddings & Lewis, Inc. acquired August 1982.

(c) The Corporation's depreciation policy is noted in the Summary of Significant Accounting Policies included in the Corporation's Annual Report (Exhibit 13).

CANADIAN PACIFIC ENTERPRISES LIMITED

Schedule VI - Accumulated Depreciation, Depletion and Amortization
(in thousands)

Description	Balance January 1, 1984	Additions: Charged to Income (a)	Additions: Other (b)	Deductions: Retirements	Deductions: Other	Balance December 31, 1984
Oil and gas	$ 213,204	$ 59,119	$ -	$ 1,775	$ 1,242	$ 269,306
- Depletion	408,719	77,287	-	-	-	486,006
- Amortization	307	-	-	307	-	-
Mines and minerals	685,396	100,981	9,361	4,422	8,126	783,190
- Depletion	114,795	20,324	3,158	302	13,023	124,952
- Amortization	18,562	1,371	-	-	-	19,933
Forest products	448,212	112,202	3,944	4,983	-	559,375
- Depletion	21,734	1,689	-	-	3,945	19,478
- Amortization	60,141	6,898	1	1,653	-	65,387
Iron and steel	753,046	84,638	1,122	34,641	-	804,165
- Amortization	19,058	4,322	725	1,828	-	22,277
Real estate	69,881	15,247	723	2,779	199	82,873
Agriproducts	118,322	19,520	3,237	3,031	-	138,048
Other businesses	18,968	5,770	2,780	986	-	26,532
Financial	817	305	23	143	-	1,002
	$2,951,162	$509,673	$25,074	$56,850	$26,535	$3,402,524

(a) Excludes amortization of deferred charges of $41,113.

(b) Includes the effect of adoption of CICA recommendations on foreign currency translation, as described in Note 16 of the Corporation's Annual Report.

CANADIAN PACIFIC ENTERPRISES LIMITED

Schedule VI - Accumulated Depreciation, Depletion and Amortization
(in thousands)

Description	Balance January 1, 1983	Additions: Charged to Income (a)	Additions: Other	Deductions: Retirements	Deductions: Other	Balance December 31, 1983
Oil and gas	$ 161,909	$ 53,500	$ -	$ 1,662	$ 543	$ 213,204
- Depletion	348,833	59,886	-	-	-	408,719
- Amortization	611	-	-	304	-	307
Mines and minerals	609,549	86,469	1,965	10,530	2,057	685,396
- Depletion	107,588	20,010	4,240	-	17,043	114,795
- Amortization	17,418	1,144	-	-	-	18,562
Forest products	338,871	101,781	19,916	8,290	4,066	448,212
- Depletion	19,740	1,992	2	-	-	21,734
- Amortization	54,674	5,467	-	-	-	60,141
Iron and steel	688,098	81,794	13	16,859	-	753,046
- Amortization	18,081	3,432	190	2,629	16	19,058
Real estate	58,883	13,798	-	2,601	199	69,881
Agriproducts	106,892	17,908	96	6,574	-	118,322
Other businesses	86,316	15,588	-	283	82,653(b)	18,968
Financial	609	229	1	21	1	817
	$2,618,072	$462,998	$ 26,423	$49,753	$106,578	$2,951,162

(a) Excludes amortization of deferred charges of $21,941.

(b) Includes sale of CP Hotels.

CANADIAN PACIFIC ENTERPRISES LIMITED

Schedule VI - Accumulated Depreciation, Depletion and Amortization
(in thousands)

	Balance January 1, 1982	Additions		Deductions		Balance December 31, 1982
		Charged to Income (a)	Other	Retirements	Other	
Oil and gas	$ 128,132	$ 34,689	$ -	$ 912	$ -	$ 161,909
Depletion	295,070	53,763	-	-	-	348,833
Amortization	1,221	-	-	610	-	611
Mines and minerals	541,175	76,824	1,021	9,471	-	609,549
Depletion	98,225	19,331	465	10,433	-	107,588
Amortization	15,895	1,523	-	-	-	17,418
Forest products	254,534	86,646	-	2,229	80	338,871
Depletion	18,753	1,008	-	12	9	19,740
Amortization	49,332	5,380	-	38	-	54,674
Iron and steel	628,807	79,223	-	17,665	2,267	688,098
Amortization	17,181	3,723	74	2,897	-	18,081
Real estate	48,138	11,692	-	748	199	58,883
Agriproducts	91,839	16,907	1,111	2,965	-	106,892
Other businesses	72,823	14,063	468	1,038	-	86,316
Financial	719	241	8	359	-	609
	$2,261,844	$405,013	$3,147	$49,377	$2,555	$2,618,072

(a) Excludes amortization of deferred charges of $14,795.

CANADIAN PACIFIC ENTERPRISES LIMITED

Schedule IX - Short Term Borrowings
(in thousands)

	Balance December 31	Weighted Average Interest Rate	Maximum Amount Outstanding During Year	Average Amount Outstanding During Year	Weighted Average Interest Rate During Year
1984					
Bank loans	$305,215	10.90%	$385,328	$228,253	12.09%
Notes payable	391,279	10.85%	407,513	305,956	11.03%
1983					
Bank loans	$189,454	11.00%	$354,529	$321,873	11.06%
Notes payable	324,183	9.52%	449,707	390,134	9.40%
1982					
Bank loans	$310,950	12.08%	$347,450	$325,083	15.63%
Notes payable	329,076	10.62%	611,115	466,998	14.94%

CANADIAN PACIFIC ENTERPRISES LIMITED

Schedule X - Supplementary Income Statement Information
For Year Ended December 31
(in thousands)

Item	1984	1983	1982
1. Maintenance and repairs	$710,907	$632,326	$651,954
2. Depreciation and amortization of intangible assets, pre-operating costs and similar deferrals	(a)	(a)	(a)
3. Taxes, other than payroll and income taxes			
Property	$108,461	$115,962	$102,026
Other	107,843	100,135	79,198
Total	$216,304	$216,097	$181,224
4. Royalties	(a)	(a)	(a)
5. Advertising costs	(a)	(a)	(a)

Note

(a) These amounts do not exceed one percent of total revenues.

CANADIAN PACIFIC ENTERPRISES LIMITED

Subsidiaries of the Registrant

Corporation	Jurisdiction of Incorporation
Oil and Gas	
PanCanadian Petroleum Limited	Canada
7 other companies in Canada, U.S. and other countries	
Mines and Minerals	
Cominco Ltd.	Canada
Cominco American Incorporated	Washington
Pine Point Mines Limited	Canada
Vestgron Mines Limited	Canada
Greenex A/S	Denmark
Western Canada Steel Limited	British Columbia
West Kootenay Power and Light Company, Limited	British Columbia
59 other companies in Canada, U.S. and other countries	
Fording Coal Limited	Canada
1 other company in Canada	
Steep Rock Resources Inc.	Ontario
3 other Canadian companies	
Forest Products	
CIP Inc.	Quebec
30 other companies in Canada, U.S. and other countries	
Great Lakes Forest Products Limited	Ontario
6 other companies in Canada, U.S. and other countries	
Commandant Properties, Limited	Canada
Iron and Steel	
The Algoma Steel Corporation, Limited	Ontario
Cannelton Industries, Inc.	West Virginia
9 other companies in Canada and U.S.	
AMCA International Limited	Canada
AMCA International Corporation	Delaware
76 other companies in Canada, U.S. and other countries	

Exhibit 22
(cont'd.)

Corporation	Jurisdiction of Incorporation
Real Estate	
Marathon Realty Company Limited 10 other companies in Canada, U.S. and other countries	Canada
Agriproducts	
Maple Leaf Mills Limited 14 other companies in Canada and other countries	Ontario
Theresa Friedman & Sons, Inc.	Maine
Other Businesses	
Syracuse China Corporation 3 other companies in Canada and U.S.	Delaware
Processed Minerals Incorporated 2 other U.S. companies	Delaware
Financial	
Canadian Pacific Securities Limited	Canada
Chateau Insurance Company	Canada
Canadian Pacific Enterprises (U.S.) Inc.	Delaware

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Canadian Pacific Enterprises Limited

1984 Annual Report

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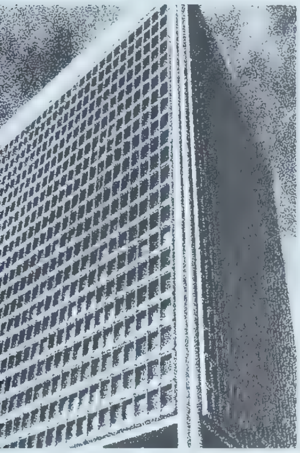
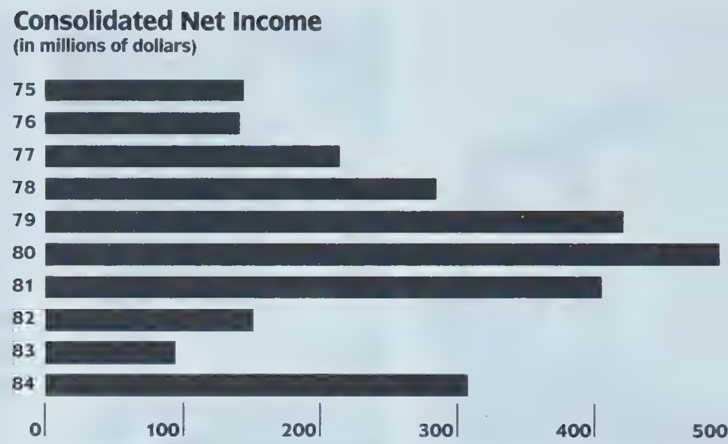



Canadian Pacific **Enterprises** Limited

Annual Report 1984



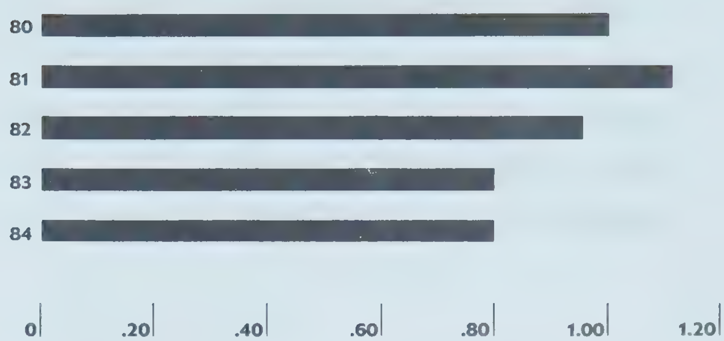
Summarized Statement of Net Income

(in millions)	1984	1983	Increase or (Decrease)
Oil and Gas	**$261.3**	$209.9	$ 51.4
Mines and Minerals	**16.5**	(25.5)	42.0
Forest Products	**(9.8)**	(98.8)	89.0
Iron and Steel	**(39.0)**	(93.4)	54.4
Real Estate	**27.3**	25.9	1.4
Agriproducts	**30.8**	20.6	10.2
Other Businesses	**9.2**	15.3	(6.1)
Financial	**10.8**	8.9	1.9
Income before extraordinary item	**307.1**	62.9	244.2
Extraordinary item	**–**	31.4	(31.4)
Net Income	**$307.1**	$ 94.3	$212.8
Per common share:			
Income before extraordinary item	**$ 1.96**	$ 0.41	$ 1.55
Net income	**1.96**	0.61	1.35
Dividends	**0.80**	0.80	–

The Annual Meeting of Shareholders will be held in the Palliser Hotel, Calgary, Alberta, on Friday, April 26, 1985 at 11:00 a.m. (Calgary time)

To the Shareholders

Dividends per Common Share
(in dollars)



The North American economy experienced improved economic growth in 1984 resulting in better market conditions in many of the areas served by Enterprises' subsidiaries. This, coupled with effective cost control, higher productivity levels, and the benefits of certain tax related transactions, produced a marked increase in Enterprises' earnings.

Enterprises' consolidated net income for 1984 amounted to $307.1 million, compared with $62.9 million in 1983 before an extraordinary item. Earnings per common share were $1.96 in 1984, after providing for dividends on preferred shares, and 41¢ per share in 1983, before the extraordinary item.

In 1983, Enterprises recorded extraordinary income of $31.4 million, or 20¢ per common share, on the sale of Canadian Pacific Hotels Limited.

Net income of Enterprises on an unconsolidated basis, comprising mainly dividends from subsidiaries, amounted to $172.5 million, or $1.09 per common share after preferred share dividends. This compared with $183.4 million, or $1.19 per share, in 1983, before including the extraordinary gain. From these earnings, dividends of 80¢ per common share were declared in both years.

Sector Results

All of the major sectors of Enterprises contributed to the improvement in consolidated earnings.

The Oil and Gas sector showed a substantial increase in earnings, mainly reflecting higher production of conventional crude oil and natural gas, and better prices for conventional crude oil.

The Mines and Minerals sector experienced a turnaround which fell short of a full recovery. Cominco reported a profit in 1984, compared with a loss in 1983. Results in 1984 reflected higher average selling prices for zinc, lead, and chemicals and fertilizers together with improved sales volumes of zinc, gold, copper, and chemicals and fertilizers. These factors were offset in part by lower margins for precious metals. Fording's earnings were also up owing to substantially higher sales volumes and lower operating costs, offset in part by decreased selling prices.

The Forest Products sector, though incurring a small loss in 1984, showed the best improvement. This was largely attributable to CIP Inc. which experienced a significant strengthening in operating results because of improved volumes and better prices, particularly for newsprint. Tax related benefits arising from reorganizations also contributed to the improvement for CIP in the fourth quarter. However, CIP continues to incur substantial interest expense associated with a high level of debt. Great Lakes Forest Products posted earnings in 1984 in contrast to a loss in the previous year due to higher shipments and better prices.

To the Shareholders

In the Iron and Steel sector, there was a significant reduction in the loss incurred by Algoma Steel compared with the previous year. This improvement resulted principally from increased finished steel shipment volumes, improved product mix and an aggressive cost reduction program. AMCA International reported a substantially reduced loss in 1984 due to some improvement in results from continuing operations, a refund of a surplus in its Canadian pension fund, and much lower losses from the write-off of discontinued operations.

Results of the Real Estate, Agriproducts and Financial sectors showed improvement. In addition to better operating performance, results of the Agriproducts sector benefited from the elimination of a deferred tax balance in a U.S. subsidiary owing to a change in the U.S. tax law. In the Financial sector, corporate activities recorded a small gain on the dissolution of two offshore subsidiary companies. The only sector to experience a decrease in income was Other Businesses where results reflected the sale of CP Hotels late in 1983.

Effective January 1, 1984, Enterprises and its subsidiaries adopted prospectively the new CICA recommendations on foreign currency translation. This change in accounting policy had the effect of reducing consolidated net income for the year by approximately $16 million.

Activities in 1984

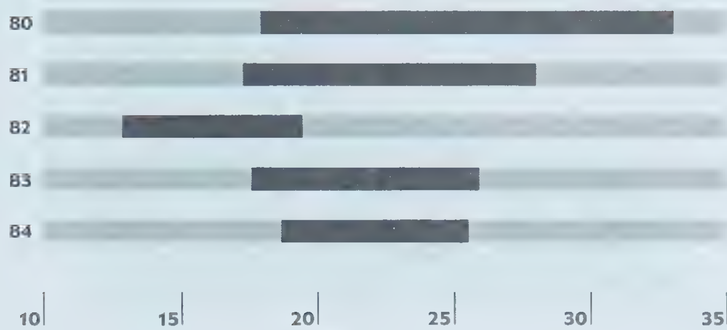
The programs introduced in the difficult years of 1982 and 1983 to conserve cash, reduce costs and improve operating efficiency were continued in 1984.

PanCanadian pursued its successful exploration and development strategy, concentrating primarily on the search for crude oil in western Canada. Early in 1985, PanCanadian's wholly-owned subsidiary, PanCanadian Petroleum Company, located in Denver, Colorado, purchased certain oil and gas interests in the United States for U.S. $45 million.

In 1984, Cominco improved its productivity and further reduced its work force. Operations at certain mines were suspended periodically to prevent inventory buildup. In order to conserve cash, major capital projects were delayed where not essential. Other measures taken to improve its cash position included divestiture of assets, notably the disposal of the company's interests in Tara Exploration and Development Company Limited and in a tertiary oil recovery project. In 1985, the sale of a part interest in Pine Point Mines Limited reduced Cominco's interest to 51% from 69%.

During 1984, productivity improvements at Fording Coal resulted in a significant reduction in the cost of clean coal produced. Fording has begun recovering coal from Brownie Ridge and anticipates that predevelopment work at Eagle Mountain will be completed in 1985.

Late in 1984, CIP exercised its option to purchase the 50% interest in Tahsis Company Ltd. not already owned. Pacific Forest Products Limited and Tahsis were then amalgamated to form CIP Forest Products Inc. effective January 1, 1985. This consolidation of Enterprises' operations in the British Columbia forest products industry should improve profitability. In addition, the financial position of NBIP Limited, a 67% owned subsidiary of CIP, was strengthened through the sale of tax losses and investment tax credits to PanCanadian Petroleum. In February 1985, CIP sold its wholly-owned subsidiary, CIP Daxion Inc., a distributor of paper and packaging products.



Market Price Range per Common Share
(in dollars)
Montreal and Toronto Stock Exchanges

Great Lakes' Dryden odernization program was mpleted in early 1984 th the commencement operations of the fine per machine. The kraft lp mill and stud lumber cility were completed in 83. These modernized cilities have provided creased capacity and duced manpower require-ents. As part of its ntinuing efforts to entify opportunities for rnings growth, Great kes announced its inten-on to participate with rtain newspaper blishers in a joint venture construct and operate newsprint mill in the rthwestern United States.

In 1984, Algoma encountered generally weak demand for its steel products and severe competition in its steel markets, principally from imports. Algoma intensified its strict cost control measures, a key component in its design to restore profitability. As a result, productivity during the year was significantly improved. Further progress is anticipated.

In 1985, Algoma will resume building its seamless tube mill, through a partnership arrangement with Canadian Pacific Limited.

In 1983 and 1984, AMCA International discontinued activities which were not consistent with its long range objectives. The discontinued operations included certain oil field equipment and crane businesses. The losses on disposition of these businesses were provided for in 1983. In 1984, AMCA provided for losses related to the discontinuance of its consumer products business.

Marathon Realty took steps during the year to ensure continuing growth in earnings. Chief among these were efforts to identify methods to reduce operating costs and to develop an asset rationalization program. This led to the disposal of certain properties with limited growth potential and the investment of funds in new developments and acquisitions.

Maple Leaf's main thrust over the year continued to be the modernization of facilities and the introduction of cost reduction programs. In 1984, the company's fully automated bakery mix plant in Calgary was officially opened.

Early in 1985, Enterprises sold its wholly-owned subsidiary, Baker Commodities, Inc., for U.S. $23.7 million. This company is in the rendering business.

Officers and Employees

The many achievements of the year would not have been possible without the skills and perseverance of the officers and employees. The Directors appreciate the dedicated efforts of all those employed by Enterprises and its subsidiaries.

For the Directors,

S. E. Eagles

President

Robert W. Campbell

Chairman and
Chief Executive Officer

Calgary, March 1, 1985

Financial Review

Highlights of the Period 1982-1984

Consolidated assets were $12.4 billion at December 31, 1984, up from $11.2 billion at the end of 1981. Net investment in properties increased by $1.2 billion over the three years. Working capital decreased by $111 million in the same period.

During the three year period, long term debt increased by $575 million. Minority shareholders' interest in subsidiary companies increased $222 million and shareholders' equity was up $518 million. The number of common shares issued rose from 141 million to 155 million. Book value per common share was $20.57 at December 31, 1984 compared with $19.53 at the end of 1981. Debt:equity proportions were 45:55 at December 31, 1981 and 44:56 at December 31, 1984. Interest coverage on long term debt increased from 1.8 times in 1982 to 2.6 times in 1984.

Review of 1984

In 1984 funds from operations rose to $914 million. Long term debt issued during the year amounted to $288 million and the proceeds of shares issued by Enterprises and subsidiaries amounted to $229 million. Working capital was up by $70 million. Additions to properties totalled $716 million and repayment of long term debt amounted to $500 million.

In May, Enterprises issued $100 million of cumulative redeemable convertible preferred shares by way of private placement.

In December, Canadian Pacific Enterprises (International) B.V. and Canadian Pacific Enterprises (Finance) N.V., subsidiaries located in the Netherlands and the Netherlands Antilles respectively, were dissolved. This entailed the retirement of loans between the Enterprises (U.S.) group of companies and Enterprises (Finance). Subsequently these funds, together with a substantial portion of the sale proceeds of Baker Commodities, were repatriated to the Corporation. Enterprises (U.S.) replaced the debt obligation with direct borrowings in the United States.

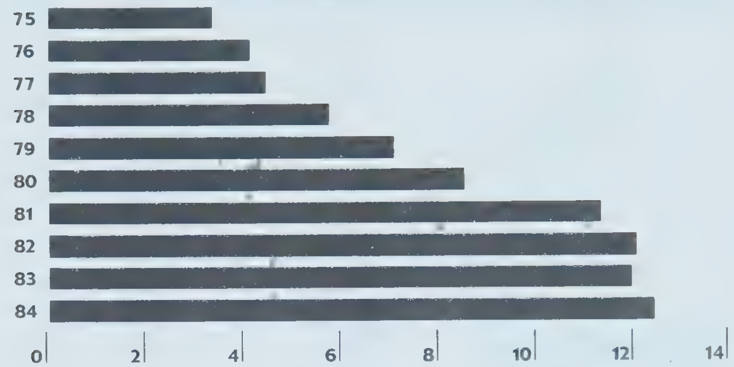
Most of the funds repatriated as well as the proceeds of Enterprises' preferred share issue were loaned to CIP Inc. as a $175 million non-interest bearing loan.

In 1984, PanCanadian spent $334 million on exploration and development. These expenditures were reduced by estimated Petroleum Incentive Program grants of $50 million. Although these capital expenditures increased by 25% over the prior year, funds from operations were more than sufficient to cover these outlays.

Cominco's funding requirements were largely met by operating cash flow and proceeds from the disposal of assets. Long term debt repayments were $52 million and capital expenditures totalled $123 million. Included in capital expenditures were the Trail modernization, the Red Dog development, facility upgrading at West Kootenay Power and Light, and replacement of equipment at Pine Point.

Late in the year, Cominco sold 1.25 million common shares for proceeds of $20 million representing a 33% premium over market value. The premium reflected payment by the purchaser for certain tax credits associated with the shares. Early in 1985, a similar transaction was arranged to raise approximately $15 million for Canadian exploration. The common shares will be issued during 1985 as the expenditures are incurred. Enterprises did not participate in these issues.

Total Assets
(in billions of dollars)



In January 1985, Cominco sold shares of Pine Point Mines Limited for $21 million, thereby reducing its interest from 69% to 51%.

During the year, CIP reduced its consolidated long term debt by $306 million largely with proceeds of $175 million received from Enterprises in the form of a non-interest bearing demand loan and with the proceeds of $92 million received by NBIP Limited on the sale to PanCanadian of investment tax credits and income tax losses. The sale was accomplished by means of a corporate restructuring. The consolidation of Tahsis in 1984 for the first time resulted in additional long term debt of $51 million being recorded on the balance sheet.

Algoma has announced the resumption of construction of its seamless tube mill, which had been suspended in October 1982 because of poor market conditions. In February 1985, Algoma and Canadian Pacific Limited entered into a limited partnership arrangement in which Algoma is the general partner and CP Limited the sole limited partner. The partnership will complete construction of the new seamless tube mill. The funds to complete this mill, estimated at $150 million, will be supplied principally by CP Limited in exchange for tax benefits that will accrue to that company. Algoma, as the general partner, will manage the partnership. The new tube mill is scheduled for start up in the first quarter of 1987.

During the year, AMCA increased its borrowings by $119 million, largely through the issuance of debentures in the amount of U.S. $50 million and a drawdown on its bank lines of credit. AMCA reduced its long term debt by $68 million. Capital expenditures for the year amounted to $36 million. In November, AMCA issued to the public $100 million of cumulative redeemable convertible preferred shares. Enterprises purchased concurrently, at the public offering price, a sufficient number of such shares to maintain its and Algoma's combined interest at approximately 50.7% on the assumption of eventual full conversion of the preferred shares. Proceeds were used to retire short term debt.

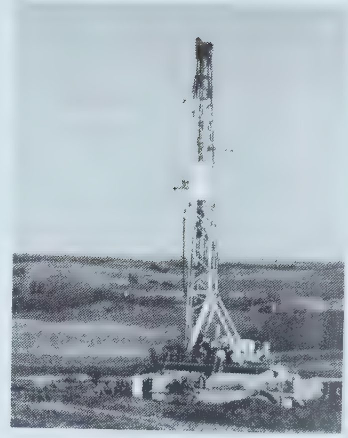
At Marathon Realty, funds from operations together with proceeds on disposal of certain properties were largely used for capital expenditures which amounted to $106 million. The increase in properties largely reflects completed construction programs as well as the acquisition of a shopping mall.

Commitments

Commitments of subsidiaries at the end of 1984 for capital expenditures were $199 million, compared with those at the end of 1983 and 1982 of $260 million and $364 million, respectively. Outstanding commitments for capital expenditures include those of Cominco for $59 million, Algoma for $77 million, and Marathon for $34 million. It is anticipated that commitments will be met from the internally generated funds or lines of credit available to the subsidiaries.

At the end of 1984, total unused funds available from long term financing amounted to $1.4 billion, at interest rates varying with bank prime or money market rates. Commitment fees on $1.2 billion of that amount range from ⅛% to ¼%. Unused lines of credit for short term financing, subject to customary right of review at any time, amounted to $1.0 billion. Such borrowings are repayable on demand and at various maturities up to 365 days and interest rates vary with bank prime or money market rates.

Review of Operations



This drill rig at Highvale, Alberta resulted in one of 480 successful oil and gas wells drilled in 1984.

Oil and Gas

PanCanadian Petroleum Limited is one of the largest Canadian-owned hydrocarbon companies. It is engaged in the exploration, production, and wholesale marketing of crude oil, natural gas, natural gas liquids and sulphur primarily in western Canada, but also in Canadian frontier regions and areas outside Canada.

PanCanadian Petroleum Limited

Net income from Enterprises' 87.1% interest in PanCanadian amounted to $261.3 million in 1984, compared with $209.9 million in 1983 and $200.9 million in 1982.

Total revenues of PanCanadian were $1,055 million in 1984, $884 million in 1983 and $793 million in 1982. In 1984, revenues increased $171 million over 1983 due primarily to greater production of most products together with higher selling prices for conventional crude oil. Natural gas selling prices also improved in 1984. In 1983, revenues were up $91 million over 1982 mainly reflecting better selling prices and increased production of conventional crude oil.

PanCanadian's expenses of $755 million in 1984 were up from $643 million in 1983 and $562 million in 1982. Expenses increased $112 million in 1984, largely because of a greater number of producing properties, increases in both service costs of producing conventional oil and costs related to the Empress plant products, and higher depletion and depreciation charges. Expenses in 1983 were $81 million more than in 1982 due largely to higher operating costs and increased depletion and depreciation expenses.

During 1984, the Federal Government changed its natural gas pricing policy in an effort to encourage natural gas exports to the United States. This policy allows exporters to negotiate price directly with their customers, subject to a minimum level based on the price of gas sold at Toronto. Also during the year, the Federal Government's timely approval of export licences and of competitive pricing for sales to the U.S. market of crude oil in excess of domestic needs stimulated marketing efforts on the part of oil producers. PanCanadian views both these policy changes as positive for the industry and the company.

Mines and Minerals

Cominco is an integrated natural resource company with world-wide operations and markets. Its principal activities include mineral exploration, mining, smelting and refining. The company is one of the world's largest mine producers of zinc and lead and is one of western Canada's largest chemical and fertilizer producers. Cominco also produces copper, silver and gold.

Fording Coal is engaged in the mining, development and processing of metallurgical and thermal coal in Alberta and southeastern British Columbia. The company's metallurgical coal is sold principally to steel producing firms located in Pacific Rim countries under long term contracts.

Steep Rock Resources produces a wide range of industrial calcium carbonate products.

Cominco Ltd.

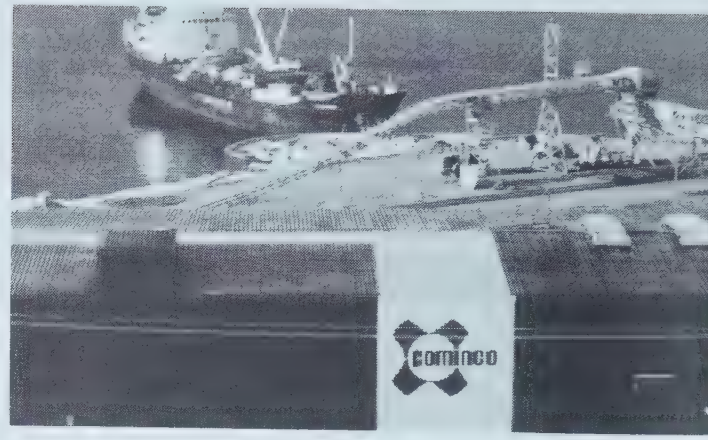
Net income from Cominco, owned 53.2% by Enterprises, was $5.6 million in 1984. This was a significant improvement over losses of $30.0 million in 1983 and $23.5 million in 1982. Cominco's results for the year reflected stronger prices and increased volumes for most products. However, fourth quarter results were down, mainly because of lower prices for zinc, lead, silver and gold.

Cominco's revenues amounted to $1,624 million in 1984, compared with $1,388 million in 1983 and $1,277 million in 1982. These revenues include earnings from Cominco's 40% interest in Fording Coal. A net gain of $5 million arising largely from the sale of an interest in an oil recovery project is included in 1984 revenues. The increase of $236 million in Cominco's 1984 revenues stemmed from higher selling prices for refined zinc, zinc concentrates and refined lead, together with increased sales volumes of all refined metals and metal concentrates, except lead. In addition, revenues from chemical and fertilizer products increased, due largely to better prices and higher sales volumes in the first nine months of 1984. Partially offsetting factors were lower selling prices for silver, gold, and copper concentrate. Total revenues of Cominco in 1983 were up $111 million over 1982. Included in 1982 revenues was a net gain of $18 million from the sale of oil and gas properties. The higher operating revenues mainly reflected increased sales volumes of all products, except gold, and improved prices for silver, zinc, gold and copper.

Expenses were $1,595 million in 1984, compared with $1,431 million in 1983 and $1,311 million in 1982. In 1984, expenses were up $164 million mainly reflecting the higher volumes of products sold. Depreciation and depletion expenses increased principally because of the full year's impact of projects completed during 1983, which include the electrolytic and melting plant at Trail. In addition, higher rates accounted for an increase in interest expense. The increase in expenses of $120 million in 1983 from 1982 was due mainly to higher sales and production volumes.

An after-tax gain of approximately $9 million on the partial sale of Cominco's interest in Pine Point Mines will be reported in the first quarter of 1985.

Review of Operations



Cominco's Polaris Mine, on Little Cornwallis Island in the NWT, began operation in early 1982 producing zinc and lead concentrate.

Fording Coal Limited

Net income of Fording Coal, owned 60% by Enterprises and 40% by Cominco, amounted to $15.3 million in 1984, including a net gain of $2.2 million on the sale of coal leases and certain equipment. This compares with earnings of $4.4 million in 1983 and $12.1 million in 1982. In addition to its direct share of these results and its equity in Cominco's share, Enterprises received royalty payments from Fording of $2.7 million in 1984, $1.9 million in 1983 and $3.0 million in 1982.

Revenues amounted to $280 million in 1984, compared with $217 million in 1983 and $269 million in 1982. Despite a decrease in the selling price of coal, revenues in 1984 were up $63 million over 1983 due to a significantly higher sales volume, reflecting a recovery of volume lost during the mineworkers' strike in 1983 and market diversification. In addition to lower volumes, reduced coal selling prices were also a major reason for the decrease of $52 million in 1983 revenues from 1982.

In 1984, total expenses were $264 million, compared with $213 million in 1983 and $257 million in 1982. The increase in expenses of $51 million over 1983 was largely due to a higher sales volume, offset in part by improved productivity and lower interest expense. Expenses in 1983 were down $44 million from 1982 principally because of the lower sales volume and increased operating efficiency.

Steep Rock Resources Inc.

Enterprises has a 79.6% holding in Steep Rock which in 1984 produced net earnings of $306,000, down from $846,000 in 1983 and $1.4 million in 1982. Steep Rock's results in 1984 included a gain of $384,000 relating to the re-evaluation of prior years' income tax provisions and in 1982 a non-recurring charge of $2.0 million pertaining to obligations under a long term natural gas contract and the write-off of certain development expenditures.

In 1982 and 1983, Steep Rock's earnings were derived mainly from the investment of funds surplus to the company's needs. During 1983, these funds were reduced significantly through the payment of dividends. Consequently, in 1984 the major contributor to earnings was the calcite division, where operating earnings were more than double those in 1983. However, this improvement was substantially offset by higher corporate and other costs.

Forest Products

CIP Inc. is a major integrated forest products company engaged in the production and marketing of a variety of pulp and paper products, including newsprint, paperboard, pulp, packaging and specialty paper products. Its operations are located primarily in eastern Canada, although it has facilities in most provinces. Its products are marketed both domestically and internationally.

Great Lakes Forest Products is also a major integrated forest products producer which markets bleached kraft pulp, newsprint, fine papers and building products. Great Lakes' plants are located in northwestern Ontario and its sales are principally to the United States.

Pacific Forest Products is engaged in developing timber resources and manufacturing lumber in British Columbia. Effective January 1, 1985, Pacific Forest Products was amalgamated with Tahsis Company Limited, a wholly-owned subsidiary of CIP, to form CIP Forest Products Inc.

CIP Inc.

The net loss from CIP was $11.7 million in 1984, down significantly from losses of $83.6 million in 1983 and $101.8 million in 1982. The 1984 results reflected a marked improvement in operating results over the previous year.

In addition, certain tax related transactions had a favourable impact on CIP's fourth quarter results. NBIP sold investment tax credits and tax losses to PanCanadian. The impact on Enterprises' consolidated net income in 1984 was a gain of $12.8 million arising from the sale of investment tax credits, $11.0 million of which was reflected in CIP's results and the balance by PanCanadian in the Oil and Gas sector. An additional gain of $15.5 million will be recorded by the two companies in respect of the tax losses during 1985, as they are realized. In addition, the sale of tax losses enabled NBIP to tax affect its 1984 loss which increased CIP's earnings by $7.5 million. Earnings also benefited in 1984 by $7.5 million because of the tax affecting of Tahsis Company's loss. These gains were partially offset by a charge of $2.5 million incurred on the closure of a hardboard plant.

Total revenues amounted to $1,476 million in 1984, up from $1,207 million in 1983 and $1,107 million in 1982. In 1984, revenues of CIP increased $269 million due in equal measure to higher sales volumes and better selling prices for most products. The largest increase in revenues came from newsprint operations, reflecting a 23% increase in shipments and an average 8% increase in price compared with 1983. CIP's revenues in 1983 were up $100 million from 1982 due chiefly to higher sales volumes for all products, particularly packaging. In 1982, packaging volumes were affected by strikes at CIP's container plants.

Review of Operations

At Great Lakes Forest Products' pulp mill in Thunder Bay, the pulp sheet makes 19 airborne passes in temperatures of up to 400°F in this dryer.

CIP's expenses totalled $1,488 million in 1984 compared with $1,302 million in 1983 and $1,213 million in 1982. Expenses in 1984 were up $186 million due principally to increased sales volume and escalation of costs. Expenses in 1983 increased by $89 million over 1982, consistent with a higher sales volume and general cost inflation. Over the period, a high level of debt associated with the acquisition of the company resulted in significant interest charges.

Great Lakes Forest Products Limited

Net income from Great Lakes, owned 54.3% by Enterprises, amounted to $9.7 million in 1984, compared with a loss of $5.4 million in 1983 and net earnings of $11.6 million in 1982.

Total revenues reported by Great Lakes were $603 million in 1984, up from $496 million in 1983 and $442 million in 1982. The increase of $107 million in 1984 revenues was due to higher selling prices for newsprint, kraft pulp and fine papers and increased shipments of all products. The higher shipment levels were met through improved operating performance in newsprint and kraft pulp operations and increased fine paper and stud lumber production capabilities from new facilities at Dryden. Demand for kraft pulp and fine paper softened somewhat late in the year, resulting in some price erosion. Revenues in 1983 increased $54 million from 1982 due principally to higher shipments of all products.

Total expenses of $585 million in 1984 compared with $506 million in 1983 and $421 million in 1982. The increase in expenses of $79 million was the result of the higher level of shipments together with inflationary increases in manufacturing costs. The start-up of the new Dryden fine paper machine in April 1984 resulted in higher interest and depreciation charges. In 1983, expenses increased $85 million largely because of higher shipments and increased costs.

Pacific Forest Products Limited

Pacific Forest Products reported losses of $7.9 million in 1984, $9.8 million in 1983 and $7.1 million in 1982. Pacific Forest Products fully tax affected its 1984 results which reduced the company's loss by $6.3 million. Results in 1982 included a net gain of $9.2 million on the sale of land.

Pacific Forest Products' sales volumes and prices for both logs and lumber have been depressed since the beginning of the recent economic recession. In 1983, the company's results reflected some improvement in market conditions relative to 1982. However, persistent over-supply conditions resulted in a subsequent deterioration in results in 1984.

Molten iron is 'charged' into a steel-making vessel in Algoma's No. 2 shop.

Iron and Steel

Algoma Steel, Canada's third largest vertically integrated steel producer, located in northern Ontario, manufactures and sells plate, sheet and strip, structurals, rails and seamless tubular products. The company's steel products are used primarily in the automotive, manufacturing, non-residential construction and energy-related sectors.

AMCA International is engaged world-wide in the design, engineering, manufacturing and marketing of a broad range of industrial products, construction equipment, engineering and construction services and machine tools.

The Algoma Steel Corporation, Limited

The net loss from Algoma Steel, in which Enterprises has a 61.2% interest, amounted to $37.7 million in 1984, compared with losses of $84.2 million in 1983 and $31.5 million in 1982.

Algoma's total revenues, including its share of the results of AMCA International, amounted to $1,101 million in 1984, compared with $841 million in 1983 and $902 million in 1982. Revenues increased by $260 million in 1984, due chiefly to higher shipments of finished rolled steel products and improved product mix. Prices remained weak and very competitive although there was some strengthening in certain products in the latter part of the year. In addition, the company's revenues reflected the improved performance of AMCA International. Despite higher shipments, Algoma's 1983 revenues were down $61 million from 1982, reflecting reduced selling prices, a sales mix comprising lower priced products and depressed results of AMCA.

Total expenses amounted to $1,147 million in 1984, up from $969 million in 1983 and $942 million in 1982. In 1984, expenses were up $178 million mainly due to the increased shipment volumes. An aggressive cost reduction program partially offset the increase in expenses. Algoma's expenses in 1983 were up $27 million from 1982, largely the result of higher shipment levels and increased interest expense.

Review of Operations

AMCA International Limited

In addition to Enterprises' indirect holding of AMCA International, Enterprises has a 16.2% direct holding in AMCA. Enterprises' direct share of AMCA's results, after deduction of preferred dividends, amounted to a loss of $2.6 million in 1984 compared with a loss of $9.2 million in 1983 and a profit of $5.8 million in 1982. AMCA reported a reduced loss in 1984 as a result of a better performance from operations and a refund of a surplus in its Canadian pension fund amounting to $12.7 million. In addition, results included provisions for after-tax losses arising from the write-off of discontinued businesses amounting to $4.6 million in 1984, compared with $27.0 million in 1983. As well as its direct and indirect interest in the company, Enterprises received from AMCA preferred dividends of $1.3 million in 1984.

In 1984, AMCA's total revenues were $1,953 million compared with $1,625 million in 1983 and $1,840 million in 1982. Revenues were up $328 million in 1984, due to higher sales volumes of construction equipment, metal buildings and machine tools. An offsetting factor was the severe discounting of prices, particularly for machine tools and construction equipment. The decline in revenues in 1983 from 1982 of $215 million reflected significant reductions in sales volumes and selling prices.

Expenses of AMCA were $1,959 million in 1984, $1,682 million in 1983 and $1,779 million in 1982. In 1984, the increase in expenses amounted to $277 million reflecting the higher sales volume. The reduction of expenses in 1983 of $97 million was consistent with lower product shipment volumes.

University Place, in downtown Toronto, was completed in 1983 and is the new headquarters for Marathon Realty.

Real Estate

Marathon Realty develops, owns and manages income-producing properties across Canada and the United States. Marathon's extensive portfolio includes shopping centres, office, industrial and aviation-related buildings, and industrial and business parks.

Marathon Realty Company Limited

Net income from Marathon in 1984 amounted to $27.3 million, compared with $25.9 million in 1983 and $26.2 million in 1982.

Total revenues were $278 million in 1984, up from $274 million in 1983 and $251 million in 1982. In 1984, Marathon's total revenues were higher than in 1983 due to increased rental revenue from buildings, particularly shopping centres, offset in part by lower income from property sales. The improvement in rental revenues from shopping centres was derived from the company's share of tenant retail sales which improved as a result of increased consumer spending in 1984. Despite pressure on rental rates, revenues from office buildings were up reflecting better occupancy levels.

An increase of $23 million in 1983 revenues compared with 1982 was due largely to rentals from new buildings and increased property sales.

Total expenses of $250 million in 1984 compared with $248 million in 1983 and $225 million in 1982. Marathon's 1984 expenses were higher than in 1983, largely reflecting increased building operating expenses. Expenses in 1983 were up $23 million over 1982 due principally to the increased costs of property sales and higher interest expense.

Maple Leaf Mills has spent more than $20 million to modernize its flour mill and install a highly automated bakery mix plant at Calgary.

Agriproducts

Maple Leaf Mills is a major Canadian agriproducts company engaged in the manufacturing, processing and distribution of food and agricultural products throughout Canada and abroad. Its diversified operations include the production of industrial and consumer flour and flour-based products. Maple Leaf's operations also include a rendering business in Canada, a fully integrated poultry business in Ontario, an oilseed processing operation, production of a complete range of animal and poultry feeds, and merchandising and handling of grain through a network of country and terminal grain elevators principally in Ontario.

On July 31, 1984, CanPac AgriProducts Limited was merged into its parent Canadian Pacific Enterprises (U.S.) Inc. As a result, Baker Commodities, Inc. and Theresa Friedman & Sons, Inc. became wholly-owned subsidiaries of Enterprises (U.S.).

Based in the United States, Baker Commodities is a rendering company and Theresa Friedman processes, packages and sells fruit preserves and fruit juices.

Maple Leaf Mills Limited

Income from Maple Leaf was $15.5 million in 1984, compared with $14.9 million in 1983 and $12.2 million in 1982. In 1984, improved results in most sectors of the business were partly offset by losses incurred in international grain trading.

Total revenues of Maple Leaf were $980 million in 1984, compared with $1,031 million in 1983 and $913 million in 1982. Revenues decreased $51 million in 1984 due to lower international grain trading activity, partly offset by increased sales volumes of flour and poultry, reflecting a full year's impact of operations acquired in 1983, and higher selling prices of vegetable oil, tallow and poultry. Revenues in 1983 were up $118 million from 1982 due primarily to increased international grain trading activity and higher grain prices.

Expenses totalled $961 million in 1984, compared with $1,014 million in 1983 and $899 million in 1982. Maple Leaf's expenses decreased in 1984 in line with its lower overall sales volume. In 1983, expenses were up $115 million over 1982 reflecting a higher sales level.

Review of Operations

Baker Commodities, Inc.

Baker Commodities reported net income of $14.9 million in 1984, compared with $3.3 million in 1983 and $0.6 million in 1982.

The increase in net income for 1984 was primarily the result of the elimination of a deferred tax balance of $9.8 million in accordance with provisions of the U.S. Tax Reform Act of 1984. Operating results improved in 1984, reflecting increased tallow merchandising activity and higher selling prices for vegetable oil. In 1983, Baker reported higher earnings because of a reduction in raw material costs and improved operating efficiencies.

Early in 1985, Baker Commodities was sold. After the effects of the deferred tax elimination, a net book loss on the sale amounting to $2.0 million was incurred. Provision for this loss was included in the 1984 results of Enterprises (U.S.) in the Financial sector.

Theresa Friedman & Sons, Inc.

Net income from Theresa Friedman amounted to $421,000 in 1984, compared with $2.3 million in 1983 and $0.9 million in 1982.

Lower income in 1984 resulted from the reduction of sales to a major customer and more competitive pricing. Despite a decline in sales volume in 1983, the company reported improved earnings due to higher selling prices and reduced operating costs.

Other Businesses

Syracuse China manufactures commercial chinaware at plants in the United States and Canada. Processed Minerals, based in the United States, operates two divisions. Carey Salt produces and markets salt and dehydrated products for a variety of end uses. NYCO processes and markets wollastonite, a non-metallic mineral used as a filler in the manufacture of such products as ceramics, plastics and coatings.

Syracuse China Corporation

Net income from Syracuse China was $4.8 million in 1984 compared with $4.4 million in 1983 and $4.2 million in 1982. The improvement over the period resulted principally from higher selling prices of chinaware and a more favourable product mix.

Late in 1984, the company purchased a small chinaware company, based in Pennsylvania.

Financial

Processed Minerals Incorporated

Processed Minerals reported earnings of $4.3 million in 1984 compared with $2.2 million in 1983 and $2.6 million in 1982. The increased income in 1984 reflected higher prices and sales volumes of evaporated and rock salt and wollastonite, partially offset by decreased sales volumes of solar salt and molasses. Included in the results for 1983 was a write-down in the carrying cost of certain fixed assets. Operating results were up in 1983 over 1982 due to improved sales volumes for most products.

Chateau Insurance is federally licenced to transact all classes of insurance with the exception of life and annuities.

Canadian Pacific Securities, a wholly-owned subsidiary of Enterprises, raises funds by way of bank loans, short term promissory notes and medium and long term debt in order to provide financing for various companies in the Enterprises' group.

Chateau Insurance Company

Chateau Insurance recorded a loss of $484,000 in 1984 compared with net earnings of $390,000 in 1983 and a loss of $2.0 million in 1982. Results for 1984 were adversely affected by the necessity to increase loss provisions for prior years' claims. The improvement in 1983 reflected the company's efforts to phase out unprofitable lines of business—personal lines and assumed reinsurance.

Canadian Pacific Securities Limited

Earnings of Canadian Pacific Securities amounted to $1.8 million in 1984 compared with $2.0 million in 1983 and $2.1 million in 1982.

Canadian Pacific Enterprises Limited—Corporate activities

Corporate activities contributed earnings of $5.8 million in 1984, $2.7 million in 1983 and $18.3 million in 1982. The Corporation undertook the dissolution of two offshore subsidiaries in December 1984—Canadian Pacific Enterprises (International) B.V. and Canadian Pacific Enterprises (Finance) N.V. As a result, corporate activities recorded a gain of $4.2 million. In addition, results in 1984 reflected an increase in interest income. Earnings in 1982 included a gain of $19 million on sale of portfolio investments.

Summary of Significant Accounting Policies

General

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The significant differences between Canadian and United States generally accepted accounting principles, insofar as they apply to the Corporation, are described under Supplementary Data. Unless otherwise specified, all dollar amounts are expressed in Canadian dollars.

Consolidation

The financial statements of all subsidiary companies are consolidated in the financial statements of Canadian Pacific Enterprises Limited (Enterprises) except those of two finance companies, which are accounted for on the equity basis. The classes of business are based upon the major activities of significant subsidiaries, and the principal companies included in each class are as follows:

Percentage Ownership, December 31		**1984**	1983	1982
Oil and Gas	PanCanadian Petroleum Limited	**87.08%**	87.08%	87.08%
Mines and Minerals	Cominco Ltd.	**53.23%**	54.31%	54.34%
	Fording Coal Limited:			
	Enterprises	**60%**	60%	60%
	Cominco	**40%**	40%	40%
	Steep Rock Resources Inc.	**79.61%**	79.61%	79.44%
Forest Products	CIP Inc.	**100%**	100%	100%
	Great Lakes Forest Products Limited	**54.28%**	54.28%	54.28%
	Pacific Forest Products Limited	**100%**	100%	100%
	Commandant Properties, Limited	**100%**	100%	100%
Iron and Steel	The Algoma Steel Corporation, Limited	**61.17%**	61.16%	61.15%
	AMCA International Limited:			
	Enterprises	**16.15%**	16.21%	16.38%
	Algoma	**34.47%**	34.59%	34.94%
Real Estate	Marathon Realty Company Limited	**100%**	100%	100%
Agriproducts	Maple Leaf Mills Limited	**100%**	100%	100%
	CanPac AgriProducts Limited+	–	100%	100%
	Baker Commodities, Inc.	**100%**	100%	100%
	Theresa Friedman & Sons, Inc.	**100%**	100%	100%
Other Businesses	Canadian Pacific Hotels Limited	–	–	100%
	Syracuse China Corporation	**100%**	100%	100%
	Processed Minerals Incorporated	**100%**	100%	100%
Financial	Canadian Pacific Enterprises Limited– Corporate activities			
	Canadian Pacific Securities Limited	**100%**	100%	100%
	Chateau Insurance Company	**99.98%**	99.98%	99.98%
	Canadian Pacific Enterprises (International) B.V.*	–	100%	100%
	Canadian Pacific Enterprises (U.S.) Inc.	**100%**	100%	100%
	Canadian Pacific Enterprises (Finance) N.V.*	–	100%	100%

+In July 1984, this company was merged with its parent, Canadian Pacific Enterprises (U.S.) Inc. The operating subsidiaries of CanPac AgriProducts Limited, Baker Commodities, Inc. and Theresa Friedman & Sons, Inc. continue to be reported in the Agriproducts segment.

*These companies were liquidated in December 1984.

Consolidation continued

Algoma Steel supplies structural steel and plate to AMCA International. In reporting the results of Iron and Steel operations in the statement of consolidated income, the following amounts have been eliminated from sales and operating revenue and from expenses: 1984, $41,965,000; 1983, $31,010,000; 1982, $35,900,000. Inter-company interest charges, amounting to $103,259,000 in 1984, $99,070,000 in 1983 and $72,310,000 in 1982, have not been eliminated in the statement of consolidated income in order to present fairly the results by activity. Enterprises' net income is not affected by this practice. There are no other significant inter-company charges within the Enterprises group of companies.

Inventories

Products, work in progress and raw materials of mining operations are valued generally at the lower of cost (determined on the monthly average method) and net realizable value. Supplies are valued at cost less appropriate allowances for obsolescence.

Finished products of Iron and Steel and work in progress related to steel making operations are valued at the lower of cost and net realizable value. Work in progress related to construction contracts is stated at accumulated production costs less amounts charged to income based on the percentage of completion of individual contracts. Raw materials and supplies are valued at the lower of cost and replacement cost.

Other inventories (principally related to Forest Products and Agriproducts) are valued at the lower of cost (generally average cost) and net realizable value.

Accounting for oil and gas properties

The full cost method of accounting is followed for oil and gas properties, whereby all costs related to the exploration for and the development of oil and gas reserves are capitalized on a world-wide cost centre basis. Such costs are depleted by the unit of production method based on estimated proven oil and gas reserves. In determining the depletion and depreciation provisions, the Corporation includes any excess of the net book value of conventional oil and natural gas property, plant, and equipment assets over the unescalated net future operating revenues from its proven crude oil and natural gas reserves and the value of undeveloped properties.

Depreciation on plant and equipment is provided at rates which will amortize original costs over their estimated useful lives. The diminishing balance method is applied to all plant and equipment, except for the Empress and Syncrude facilities and the methanol plant, which are depreciated on the straight-line basis.

Interest on funds borrowed to finance major projects is capitalized during the construction period.

Accounting for mining properties

Expenditures on general mineral exploration are charged against earnings as incurred. Expenditures to investigate identified properties and to develop new mines are capitalized as mineral properties and development. Because of the uncertainty of the final outcome, expenditures on investigation, together with the cost of certain investments in mineral companies, are amortized against earnings by charges for depletion. Abandoned properties are written off in the year of abandonment. Depletion on operating mines is provided on a unit of production or on a time basis based on the mineral reserves position.

Interest related to the financing of major expenditures for fixed assets is capitalized during the construction period.

Summary of Significant Accounting Policies

Accounting for iron and steel properties

Depreciation of manufacturing plant and equipment is provided on a straight-line basis at rates intended to amortize the cost of these assets over their estimated economic lives. Mining equipment and mine development are either depreciated on a straight-line basis at rates intended to amortize the cost of these assets over their estimated economic lives or are amortized on a unit of production basis over the estimated recoverable raw material reserves.

Expenditures on exploration for, investigation of, and holding, raw material properties, and costs of research and start-up of new production facilities, are charged to earnings as incurred.

Interest incurred on funds borrowed directly to finance the development of new raw material properties and the construction of new manufacturing facilities is capitalized during the period of construction and initial development.

Accounting for real estate properties

All operating and carrying costs net of rental revenues are capitalized for all income properties under construction until a satisfactory level of occupancy is obtained, subject to a reasonable maximum period of time.

Real estate is stated at cost, except for land held for sale which is stated at the lower of cost and net realizable value. Cost includes carrying costs, principally real estate taxes, interest, the applicable portion of salaries and expenses of development personnel and, for income properties, initial leasing costs.

The sinking fund method of providing depreciation is used for the majority of buildings. This method will write off the cost of the buildings over a maximum period of 40 years in a series of annual instalments increasing at the rate of 5% compounded annually.

Accounting for other properties

Depreciation and amortization of other properties are charged to earnings, either on a straight-line or on a unit of production basis, over the estimated economic lives of the facilities involved.

Interest on debt incurred to finance major expansion programs under Forest Products and Other Businesses is capitalized during the construction period.

Pensions

In addition to current service costs, charges to income include annual payments on account of past service liabilities. Such liabilities are being funded over varying periods to 1999.

Earnings per common share

Earnings per common share are calculated after providing for dividends on preferred shares using the weighted average number of common shares outstanding during the year.

Statement of Consolidated Income

For the Year ended December 31

	(in thousands)	1984	1983	1982
Oil and Gas	Gross operating revenue	**$1,055,358**	$ 884,387	$ 792,599
	Expenses including income and revenue taxes	**755,329**	643,296	561,933
		300,029	241,091	230,666
	Interest of outside shareholders	**38,764**	31,149	29,802
	Net income	**261,265**	209,942	200,864
Mines and Minerals	Gross operating revenue	**1,904,581**	1,611,548	1,554,334
	Expenses including income taxes	**1,864,658**	1,649,809	1,577,401
		39,923	(38,261)	(23,067)
	Interest of outside shareholders	**23,344**	(12,778)	(9,869)
	Net income	**16,579**	(25,483)	(13,198)
Forest Products	Sales and operating revenue	**2,199,331**	1,832,177	1,654,128
	Expenses including income taxes	**2,201,398**	1,947,735	1,746,788
		(2,067)	(115,558)	(92,660)
	Interest of outside shareholders	**7,718**	(16,746)	4,684
	Net income	**(9,785)**	(98,812)	(97,344)
Iron and Steel	Sales and operating revenue	**3,017,627**	2,454,605	2,680,471
	Expenses including income taxes	**3,063,530**	2,619,839	2,684,669
		(45,903)	(165,234)	(4,198)
	Interest of outside shareholders	**(6,861)**	(71,808)	21,519
	Net income	**(39,042)**	(93,426)	(25,717)
Real Estate	Gross rentals and other income	**277,570**	274,083	251,065
	Expenses including income taxes	**249,794**	247,872	224,498
		27,776	26,211	26,567
	Interest of outside shareholders	**453**	350	355
	Net income	**27,323**	25,861	26,212
Agriproducts	Gross operating revenue	**1,258,658**	1,229,351	1,137,473
	Expenses including income taxes	**1,225,126**	1,206,202	1,118,664
		33,532	23,149	18,809
	Interest of outside shareholders	**2,684**	2,547	2,189
	Net income	**30,848**	20,602	16,620
Other Businesses	Gross operating revenue	**93,245**	322,910	327,360
	Expenses including income taxes	**84,081**	307,628	312,092
	Net income	**9,164**	15,282	15,268
Financial	Gross operating revenue	**152,946**	142,248	169,543
	Expenses including income taxes	**142,172**	133,348	142,104
	Net income	**10,774**	8,900	27,439
	Income before extraordinary item	**307,126**	62,866	150,144
	Extraordinary item	–	31,435	–
Net Income		**$ 307,126**	$ 94,301	$ 150,144
Earnings per Common Share	Income before extraordinary item	**$ 1.96**	$ 0.41	$ 1.05
	Net income	**$ 1.96**	$ 0.61	$ 1.05

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Statement of Consolidated Retained Income

For the Year ended December 31

(in thousands)	1984	1983	1982
Balance, January 1	**$1,811,602**	$1,840,308	$1,830,138
Net income	**307,126**	94,301	150,144
	2,118,728	1,934,609	1,980,282
Underwriters' commission and expenses in connection with the issue of common shares (net of income tax of $1,462,000)	–	–	1,597
Dividends			
Preferred shares	**3,666**	–	–
Common shares (per share–1984-$0.80; 1983-$0.80; 1982-$0.96)	**123,430**	123,007	138,377
	127,096	123,007	138,377
Balance, December 31	**$1,991,632**	$1,811,602	$1,840,308

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Statement of Changes in Consolidated Financial Position

For the Year ended December 31

	(in thousands)	1984	1983	1982
Source of Funds	Net income before extraordinary item	**$ 307,126**	$ 62,866	$ 150,144
	Depreciation, depletion and amortization	**550,786**	484,939	419,808
	Deferred income taxes	**(9,777)**	(168,777)	(37,296)
	Outside shareholders' interest in income of subsidiaries	**66,102**	(67,286)	48,680
	Funds from operations	**914,237**	311,742	581,336
	Proceeds from sale of subsidiary	**–**	125,000	–
	Issuance of preferred shares	**100,000**	–	–
	Issuance of common shares	**11,993**	10,251	213,450
	Reduction of investments	**33,197**	33,153	65,859
	Issuance of long term debt	**288,080**	576,573	1,185,718
	Issuance of shares by subsidiaries	**116,704**	218,890	102,184
	Proceeds from disposal of properties	**105,041**	74,769	55,953
	Working capital of subsidiary acquired and consolidated	**–**	–	116,646
	Working capital deficit of subsidiary sold	**–**	18,279	–
		$1,569,252	$1,368,657	$2,321,146
Application of Funds	Additions to properties	**$ 716,337**	$ 640,069	$1,265,377
	Additions to investments	**57,830**	15,539	43,026
	Investment in subsidiary acquired and consolidated	**–**	–	389,982
	Reduction in long term debt	**499,600**	518,283	592,691
	Reduction of outside shareholders' interest in subsidiaries	**–**	–	16,871
	Dividends	**127,096**	123,007	138,377
	Dividends paid outside shareholders of subsidiaries	**94,073**	84,101	86,155
	Sundries	**4,046**	2,290	(45,099)
	Increase (Decrease) in working capital	**70,270**	(14,632)	(166,234)
		$1,569,252	$1,368,657	$2,321,146
Changes in Consolidated Working Capital	Current Assets			
	Cash and temporary investments	**$ (163,052)**	$ 109,748	$ (245,699)
	Loans receivable	**(18,631)**	14,895	(149)
	Accounts receivable	**286,247**	39,493	(230,392)
	Inventories	**5,062**	(157,285)	101,983
	Prepaid expenses	**(540)**	(6,093)	20,478
		109,086	758	(353,779)
	Current Liabilities			
	Bank loans	**115,761**	(121,496)	(59,252)
	Accounts payable	**28,529**	71,386	(144,870)
	Accrued charges	**51,788**	13,048	58,525
	Notes and accrued interest payable	**67,096**	(4,893)	(67,433)
	Income and other taxes payable	**(108,544)**	60,589	(37,758)
	Dividends payable	**3**	(224)	(7,140)
	Long term debt maturing within one year	**(115,817)**	(3,020)	70,383
		38,816	15,390	(187,545)
	Increase (Decrease) in Working Capital	**$ 70,270**	$ (14,632)	$ (166,234)

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Consolidated Balance Sheet

December 31

Assets

		(in thousands) 1984	1983
Current Assets	Cash and temporary investments, at cost (approximates market)	**$ 323,571**	$ 486,623
	Loans receivable from affiliates	**39,678**	58,309
	Accounts receivable	**1,416,128**	1,129,881
	Inventories	**1,696,475**	1,691,413
	Prepaid expenses	**53,257**	53,797
		3,529,109	3,420,023
Investments		**333,966**	383,078
Properties, at cost	Oil and gas	**2,546,105**	2,265,730
	Mines and minerals	**2,550,635**	2,413,289
	Forest products	**2,481,910**	2,278,009
	Iron and steel	**2,127,529**	2,087,303
	Real estate	**1,301,535**	1,234,624
	Agriproducts	**334,632**	315,916
	Other businesses	**83,975**	70,964
	Financial	**1,968**	1,775
		11,428,289	10,667,610
	Less: Accumulated depreciation, depletion and amortization	**3,402,524**	2,951,162
		8,025,765	7,716,448
Other Assets and Deferred Charges		**468,557**	414,346
		$12,357,397	$11,933,895

Auditors' Report

To the Shareholders of Canadian Pacific Enterprises Limited

We have examined the consolidated balance sheets of Canadian Pacific Enterprises Limited as at December 31, 1984 and 1983 and the statements of consolidated income, consolidated retained income and changes in consolidated financial position for each of the three years in the period ended December 31, 1984. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1984 and 1983 and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1984 in accordance with generally accepted accounting principles in Canada. Except for the change in the method of accounting for foreign currency translation as explained in Note 16 to the financial statements, these principles were consistently applied.

Calgary, Alberta,
February 28, 1985

Price Waterhouse,
Chartered Accountants

Liabilities

		1984	1983
	(in thousands)		
Current Liabilities	Bank loans	**$ 305,215**	$ 189,454
	Accounts payable	**537,333**	508,804
	Accrued charges	**797,833**	746,045
	Notes and accrued interest payable	**391,279**	324,183
	Income and other taxes payable	**63,708**	172,252
	Dividends payable	**34,131**	34,128
	Long term debt maturing within one year	**98,550**	214,367
		2,228,049	2,189,233
Deferred Liabilities		**193,894**	183,047
Long Term Debt		**3,884,489**	3,933,127
Outside Shareholders' Interest in Subsidiary Companies		**1,731,068**	1,615,121
Deferred Income Taxes		**1,041,339**	1,047,540
Shareholders' Equity	Preferred shares		
	Authorized – 12,500,000 shares		
	Issued – 5,000,000 Cumulative Redeemable Convertible, Series B shares	**100,000**	–
	Common shares		
	Authorized – Unlimited		
	Issued – 154,505,743 (1983–153,941,264) shares	**1,084,372**	1,072,379
	Paid-in surplus	**81,846**	81,846
	Retained income	**1,991,632**	1,811,602
	Foreign currency translation adjustments	**20,708**	–
		3,278,558	2,965,827
		$12,357,397	$11,933,895

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Approved by the Board:
Robert W. Campbell, Director   S. E. Eagles, Director

Notes to Consolidated Financial Statements

1. Expenses Including Income Taxes

	(in thousands)	1984	1983	1982
Oil and Gas	Cost of goods sold	**$ 217,407**	$ 192,533	$ 169,522
	Selling, general and administrative	**34,235**	32,154	27,789
	Depreciation, depletion and amortization	**135,545**	113,702	88,771
	Interest	**21,694**	26,858	22,454
	Income and revenue taxes	**346,448**	278,049	253,397
		755,329	643,296	561,933
Mines and Minerals	Cost of goods sold	**1,274,552**	1,154,789	1,103,371
	Distribution, selling, general and administrative	**349,573**	309,586	298,029
	Depreciation, depletion and amortization	**133,817**	114,354	101,795
	Interest	**99,102**	92,239	101,959
	Income taxes	**7,614**	(21,159)	(27,753)
		1,864,658	1,649,809	1,577,401
Forest Products	Cost of goods sold	**1,844,523**	1,651,550	1,455,813
	Selling, general and administrative	**84,428**	88,238	86,439
	Depreciation, depletion and amortization	**126,250**	109,922	93,034
	Interest	**159,583**	153,803	175,852
	Income taxes	**(13,386)**	(55,778)	(64,350)
		2,201,398	1,947,735	1,746,788
Iron and Steel	Cost of goods sold	**2,516,181**	2,155,230	2,197,408
	Selling, general and administrative	**341,679**	376,032	332,532
	Depreciation, depletion and amortization	**112,903**	98,704	92,192
	Interest	**139,077**	132,808	125,194
	Income taxes	**(46,310)**	(142,935)	(62,657)
		3,063,530	2,619,839	2,684,669
Real Estate	Operating expenses and cost of sales	**145,029**	145,382	128,801
	Depreciation	**15,606**	14,183	12,135
	Interest	**70,272**	68,966	61,108
	Income taxes	**18,887**	19,341	22,454
		249,794	247,872	224,498
Agriproducts	Cost of goods sold	**1,001,176**	985,501	912,885
	Selling, general and administrative	**182,582**	170,890	164,079
	Depreciation and amortization	**20,368**	18,257	17,291
	Interest	**16,952**	17,376	18,178
	Income taxes	**4,048**	14,178	6,231
		1,225,126	1,206,202	1,118,664

1. Expenses Including Income Taxes continued

	(in thousands)	1984	1983	1982
Other Businesses	Operating expenses and cost of goods sold	**$ 51,976**	$ 223,104	$ 229,524
	Selling, general and administrative	**16,524**	46,241	47,014
	Depreciation and amortization	**5,987**	15,588	14,349
	Interest	**2,795**	9,733	9,935
	Income taxes	**6,799**	12,962	11,270
		84,081	307,628	312,092
Financial	General and administrative	**25,856**	22,631	32,249
	Depreciation and amortization	**310**	229	241
	Interest	**114,484**	111,235	119,877
	Income taxes	**1,522**	(747)	(10,263)
		142,172	133,348	142,104
		$9,586,088	$8,755,729	$8,368,149

2. Interest Expense

(in thousands)	1984	1983	1982
Interest on long term debt	**$452,340**	$438,878	$425,333
Interest on short term debt	**68,360**	75,070	136,914
	$520,700	$513,948	$562,247
Interest capitalized on funds borrowed to finance capital projects	**$ 33,176**	$ 35,990	$ 84,297

3. Income Taxes

(in thousands)	1984	1983	1982
The deferred income tax provision arose as follows:			
Capital cost allowances	**$ (47,713)**	$ (50,710)	$ 77,749
Exploration and development allowances	**44,599**	17,251	51,813
Loss carry forwards recognized	**(6,132)**	(139,130)	(139,179)
Other	**(531)**	3,812	(27,679)
	$ (9,777)	$(168,777)	$ (37,296)
Income tax at the statutory tax rate may be reconciled to the effective tax as follows:			
Income tax at the statutory rate	**$ 333,231**	$ 50,784	$ 155,810
Depletion and resource allowances	**(103,836)**	(82,269)	(66,841)
Foreign tax differentials	**(27,624)**	(26,763)	(29,877)
Investment tax credits	**(24,850)**	(7,011)	(8,501)
Royalties and mineral reserve tax	**30,414**	27,986	22,695
Manufacturing and processing credits	**2,044**	16,033	13,208
Loss carry forwards not recognized	**24,190**	24,935	—
Other	**(4,227)**	24,651	(27,827)
Income taxes	**229,342**	28,346	58,667
Petroleum and gas revenue taxes	**96,280**	75,565	69,662
Income and revenue taxes as charged to income	**$ 325,622**	$ 103,911	$ 128,329

Notes to Consolidated Financial Statements

4. Geographic Areas

1984 (in thousands)	Canada	United States	Other	Eliminations	Total
Gross operating revenue	$ 7,196,914	$2,424,387	$338,015	$103,259	$ 9,856,057
Inter-area transfers	258,698	222,481	54,391	535,570	–
	7,455,612	2,646,868	392,406	638,829	9,856,057
Expenses	6,827,102	2,659,970	308,964	638,829	9,157,207
Net income before taxes	628,510	(13,102)	83,442	–	698,850
Income and revenue taxes	338,450	(26,804)	13,976	–	325,622
	290,060	13,702	69,466	–	373,228
Interest of outside shareholders	30,831	(7,674)	42,945	–	66,102
Net income	$ 259,229	$ 21,376	$ 26,521	$ –	$ 307,126
Identifiable Assets	$10,363,605	$2,303,497	$402,089	$711,794	$12,357,397

1983	Canada	United States	Other	Eliminations	Total
Gross operating revenue	$ 6,425,819	$1,943,699	$381,791	$ 99,070	$ 8,652,239
Inter-area transfers	162,503	154,747	26,413	343,663	–
	6,588,322	2,098,446	408,204	442,733	8,652,239
Expenses	6,443,441	2,220,517	331,523	442,733	8,552,748
Net income before taxes	144,881	(122,071)	76,681	–	99,491
Income and revenue taxes	139,101	(52,651)	17,461	–	103,911
	5,780	(69,420)	59,220	–	(4,420)
Interest of outside shareholders	(47,680)	(52,760)	33,154	–	(67,286)
Income before extraordinary item	53,460	(16,660)	26,066	–	62,866
Extraordinary item	31,435	–	–	–	31,435
Net income	$ 84,895	$ (16,660)	$ 26,066	$ –	$ 94,301
Identifiable Assets	$10,217,639	$2,069,145	$476,138	$829,027	$11,933,895

4. Geographic Areas continued

1982 (in thousands)	Canada	United States	Other	Eliminations	Total
Gross operating revenue	$ 5,999,721	$2,181,938	$385,314	$ 72,310	$ 8,494,663
Inter-area transfers	275,722	193,595	94,814	564,131	–
	6,275,443	2,375,533	480,128	636,441	8,494,663
Expenses	6,073,496	2,360,764	369,691	636,441	8,167,510
Net income before taxes	201,947	14,769	110,437	–	327,153
Income and revenue taxes	127,580	(24,126)	24,875	–	128,329
	74,367	38,895	85,562	–	198,824
Interest of outside shareholders	(15,606)	14,480	49,806	–	48,680
Net income	$ 89,973	$ 24,415	$ 35,756	$ –	$ 150,144
Identifiable Assets	$10,070,103	$2,218,578	$477,009	$748,212	$12,017,478

Export Sales (in thousands)		**1984**	1983	1982
Included under the Canada caption above	United States	**$1,807,627**	$1,389,151	$1,426,317
	Other	**1,094,981**	881,787	834,579
		$2,902,608	$2,270,938	$2,260,896

Transfers between geographic segments are accounted for at prices comparable to market prices for similar products. The income account eliminations relate to inter-company interest as well as inter-area transfers, while the identifiable asset eliminations are in respect of inter-company loans.

Notes to Consolidated Financial Statements

5. Inventories

(in thousands)	1984	1983
Raw materials	$ 603,442	$ 591,835
Work in progress	266,041	283,134
Finished goods	589,002	594,086
Stores and materials	237,990	222,358
	$1,696,475	$1,691,413

6. Investments

(in thousands)	1984	1983
Portfolio, at cost		
(Market value $13,270,000; 1983 $26,326,000)	$ 16,816	$ 23,161
Other		
Accounted for on the equity basis:		
AMCA International Finance Corporation (formerly Koehring Finance Corporation)	74,738	60,941
AMCA International Finance Company Limited	10,076	10,030
Aberfoyle Limited	26,886	29,790
Tahsis Company Ltd.	–	71,827
Tilden Iron Ore Partnership	47,664	44,429
Other	59,219	66,742
Accounted for on the cost basis:		
Panarctic Oils Ltd.	41,725	41,646
Tara Exploration and Development Company Limited	–	22,515
Other	56,842	11,997
	$333,966	$383,078

7. Properties and Accumulated Depreciation, Depletion and Amortization

(in thousands)		1984			1983
		Cost	Accumulated depreciation, depletion and amortization	Net	Net
Oil and Gas	Plant and equipment	$ 813,484	$ 269,306	$ 544,178	$ 538,873
	Petroleum, natural gas and mineral properties	1,732,621	486,006	1,246,615	1,104,627
		2,546,105	755,312	1,790,793	1,643,500
Mines and Minerals	Land, buildings and equipment	1,989,279	783,180	1,206,099	1,211,528
	Mining properties and development	561,356	144,895	416,461	383,008
		2,550,635	928,075	1,622,560	1,594,536
Forest Products	Land and improvements	64,007	–	64,007	62,373
	Buildings and equipment	2,234,097	624,762	1,609,335	1,523,639
	Timberlands and licences	183,806	19,478	164,328	161,910
		2,481,910	644,240	1,837,670	1,747,922
Iron and Steel	Manufacturing plants	1,948,157	725,212	1,222,945	1,240,572
	Raw material properties	179,372	101,230	78,142	74,627
		2,127,529	826,442	1,301,087	1,315,199
Real Estate	Land	376,867	–	376,867	347,559
	Buildings	872,214	82,873	789,341	732,804
	Construction in progress	52,454	–	52,454	84,380
		1,301,535	82,873	1,218,662	1,164,743
Agriproducts	Land and improvements	24,882	1,107	23,775	22,959
	Buildings and equipment	309,750	136,941	172,809	174,635
		334,632	138,048	196,584	197,594
Other Businesses	Land and improvements	6,596	818	5,778	5,064
	Buildings and equipment	77,379	25,714	51,665	46,932
		83,975	26,532	57,443	51,996
Financial	Leasehold improvements and equipment	1,968	1,002	966	958
		$11,428,289	$3,402,524	$8,025,765	$7,716,448

Notes to Consolidated Financial Statements

8. Capital Expenditures

(in thousands)	1984	1983	1982
Oil and Gas	**$283,878**	$222,495	$ 278,797
Mines and Minerals	**152,506**	122,893	283,291
Forest Products	**91,736**	95,873	271,491
Iron and Steel	**60,909**	62,564	222,276
Real Estate	**105,889**	93,377	161,659
Agriproducts	**16,885**	24,231	25,147
Other Businesses	**4,253**	18,575	22,106
Financial	**281**	61	610
	$716,337	$640,069	$1,265,377

9. Identifiable Assets

(in thousands)	1984	1983	1982
Oil and Gas	**$ 2,113,793**	$ 1,907,200	$ 1,776,930
Mines and Minerals	**2,344,695**	2,317,186	2,350,785
Forest Products	**2,567,413**	2,470,592	2,466,239
Iron and Steel	**3,204,781**	3,041,463	3,180,669
Real Estate	**1,275,651**	1,218,209	1,195,997
Agriproducts	**428,926**	452,318	370,538
Other Businesses	**99,259**	93,749	287,022
Financial	**1,034,673**	1,262,205	1,137,510
Eliminations (in respect of inter-company loans)	**(711,794)**	(829,027)	(748,212)
	$12,357,397	$11,933,895	$12,017,478

10. Long Term Debt

	(in thousands)	1984	1983
PanCanadian Petroleum Limited	8⅛%-16½% Debentures due 1985-1993	**$ 155,250**	$ 156,625
Cominco Ltd.	Bank loans due 1985-1994	**388,808**	422,655
	8½%-10⅞% Sinking Fund Debentures due 1991-1995	**91,711**	95,645
	Notes due 1985-1996	**88,305**	79,929
	Subsidiaries of Cominco Ltd.	**90,632**	94,257
CIP Inc.	Bank loans due 1987-1996	**362,347**	666,303
	Sundry—due 1985-1996	**76,159**	24,064
Great Lakes Forest Products Limited	Bank loans due 1985-1990	**160,350**	120,021
	8%-11¼% Sinking Fund Bonds due 1989-1995	**37,832**	39,266
	8¾% Debentures due 1984	**—**	14,415
	Sundry—due 1985-1989	**9,831**	13,927
The Algoma Steel Corporation, Limited	Bank loans due 1985-1993	**111,466**	90,000
	7⅜%-17⅜% Sinking Fund Debentures due 1987-1997	**172,000**	191,800
	Floating Rate Debenture due 1990	**132,170**	122,434
	Floating Rate Income Debentures due 1994-1999	**112,868**	106,880
	9.65% Note due 1985-2000	**42,295**	34,000
AMCA International Limited	Bank loan due 1985-1998	**270,591**	264,929
	8¼%-12¼% Debentures due 1986-1999	**220,223**	184,454
	Other notes payable due 1985-1997	**60,925**	63,054
Marathon Realty Company Limited	Bank loans due 1985-1987	**127,613**	107,146
	9½%-17½% Sinking Fund Bonds due 1987-2003	**164,907**	168,281
	Mortgages due 1985-2014	**363,297**	362,984
	Sundry—due 1985-1991	**80,452**	79,799
Maple Leaf Mills Limited	Bank loans due 1985-1991	**11,150**	10,000
	8½%-11⅝% Sinking Fund Debentures due 1988-1998	**43,899**	42,846
	Sundry—due 1985-1988	**5,786**	7,824
Canadian Pacific Securities Limited	Bank loan due 1984	**—**	2,140
	8¼%-9½% Debentures due 1990-1993	**57,083**	89,539
	11⅞%-17¾% Notes due 1986-1990	**308,779**	299,836
	6⅜%-7½% Sfr. Guaranteed Notes due 1988	**162,127**	154,230
Other companies		**74,183**	38,211
		3,983,039	4,147,494
	Less: Long term debt maturing within one year	**98,550**	214,367
		$3,884,489	$3,933,127

Of the aggregate bank loans of $1,530,135,000 included above, approximately $1,479,906,000 bear interest at rates which fluctuate with bank prime or money market rates.

At December 31, 1983, foreign currency long term debt, denominated principally in United States dollars, translated at current rates would be $1,400,687,000, which is $52,072,000 more than the amount at which it is carried above. Effective January 1, 1984 foreign currency long term debt is translated at current rates, as described in Note 16.

Annual maturities and sinking fund requirements for each of the five years following 1984 are: 1985, $98,550,000; 1986, $185,559,000; 1987, $505,168,000; 1988, $579,394,000; 1989, $479,048,000.

Notes to Consolidated Financial Statements

11. Outside Shareholders' Interest in Subsidiary Companies

(in thousands)	1984	1983
PanCanadian Petroleum Limited	**$ 158,035**	$ 134,598
Cominco Ltd.		
$2.00 Tax deferred exchangeable preferred shares, series A	**42,146**	43,061
Floating rate preferred shares, series C	**50,000**	50,000
$3.25 Cumulative redeemable preferred shares, series D	**50,000**	50,000
Common share equity	**377,119**	366,254
Steep Rock Resources Inc.	**2,610**	2,531
CIP Inc.	**38,519**	24,782
Great Lakes Forest Products Limited	**150,226**	145,001
The Algoma Steel Corporation, Limited		
8% Tax deferred preference shares, series A	**44,608**	47,725
Floating rate preference shares	**80,000**	80,000
$2.00 Cumulative redeemable convertible class B preference shares	**95,000**	95,000
Common share equity	**236,801**	261,129
AMCA International Limited		
8.84% Cumulative redeemable retractable preferred shares	**75,000**	75,000
9.5% Cumulative redeemable convertible preferred shares	**100,000**	–
Common share equity	**217,350**	228,454
Other	**13,654**	11,586
	$1,731,068	$1,615,121

12. Capital Stock

(in thousands)	1984		1983		1982	
	Number	Amount	Number	Amount	Number	Amount
Preferred Shares						
Balance, January 1	**–**	**$ –**	–	$ –	–	$ –
Issued for cash	**5,000**	**100,000**	–	–	–	–
Balance, December 31	**5,000**	**$ 100,000**	Nil	$ Nil	Nil	$ Nil
Common Shares						
Balance, January 1	**153,941**	**$1,072,379**	153,474	$1,062,128	141,356	$ 848,678
Issued for cash	**565**	**11,993**	467	10,251	12,118	213,450
Balance, December 31	**154,506**	**$1,084,372**	153,941	$1,072,379	153,474	$1,062,128

Dividends are payable on the preferred shares, Series B, at the rate of one-half the average prime rate plus one percent. Such dividends are cumulative. These preferred shares, which have a stated value of $20 each, may be redeemed at the Corporation's option at any time, at a premium per share of $0.675 prior to April 30, 1985, $0.562 prior to April 30, 1986 and reducing annually thereafter to nil after April 30, 1990. These preferred shares are convertible to common shares after April 30, 1990 on the basis of one common share for each Series B preferred share. Earnings per common share on a fully diluted basis would not be materially different from the amount reported in the statement of consolidated income.

13. Extraordinary Item

The extraordinary item in 1983 represents the gain on sale of Canadian Pacific Hotels Limited, effective December 1, 1983, to Canadian Pacific Air Lines, Limited, a wholly-owned subsidiary of Canadian Pacific Limited. The sale proceeds amounted to $125,000,000.

14. Pensions

At December 31, 1984 there were unfunded liabilities, determined by actuarial evaluations, of $231,000,000 (1983-$207,000,000) which is being funded by a series of equal annual payments ending from 1985 to 1999.

Pension expense, including current service costs and payments on account of unfunded liabilities, was $98,000,000 (1983-$100,000,000; 1982-$113,000,000).

15. Commitments

At December 31, 1984 commitments for capital expenditures amounted to $199,000,000 and minimum payments under operating leases were estimated at $283,000,000 in the aggregate, with annual payments in each of the five years following 1984 of:
1985, $56,000,000; 1986, $45,000,000; 1987, $36,000,000; 1988, $27,000,000;
1989, $17,000,000.

At December 31, 1984, unused commitments for long term financing amounted to $1,352,000,000 at interest rates varying with bank prime or money market rates, with commitment fees on $1,156,000,000 ranging from ⅛% to ¼%.

Unused lines of credit for short term financing, subject to customary right of review at any time, amounted to $972,000,000. Such borrowings are repayable on demand and at various maturities up to 365 days and interest rates vary with bank prime or money market rates.

Notes to Consolidated Financial Statements

16. Change in Accounting Policy

Effective January 1, 1984, Enterprises and its subsidiaries adopted prospectively the CICA recommendations on foreign currency translation. This change in accounting policy had the effect of reducing consolidated net income for the year ended December 31, 1984 by $16,000,000.

The major changes from the previous policy are as follows. Long term monetary assets and liabilities denominated in foreign currencies are translated at current rates, and unrealized gains and losses are amortized to income over the remaining lives of the related items. Previously these items were translated at historic rates and exchange differences were included in income when realized. The accounts of Enterprises' foreign subsidiaries, which are considered financially and operationally independent (self-sustaining), have been translated into Canadian dollars using the year end exchange rate for assets and liabilities and average rates in effect during the year for revenues and expenses; exchange gains or losses arising from translation are deferred and included under shareholders' equity as foreign currency translation adjustments. Previously, long term assets and liabilities of such companies were translated at historical rates and the exchange differences were included in income. Details of the 1984 foreign currency translation adjustments reported in shareholders' equity are noted below:

(in thousands)	1984
Cumulative unrealized gain on adoption of recommendations	$ 5,071
Effect of exchange rate changes for the year	19,847
Reduction in investment in subsidiaries	(4,210)
Balance, December 31	$20,708

17. Acquisition

In 1982, AMCA International acquired all of the outstanding common shares of Giddings & Lewis, Inc., a U.S. company engaged in the design, manufacture and sale of machine tools, machine tool accessories and industrial products. The total cost of the acquisition amounted to $389,982,000, of which $105,712,000 was provided from cash on hand and the balance from a bank loan. This acquisition was accounted for as a purchase and consolidated from the date of acquisition.

18. Supplementary Data

The discussion of Canadian and United States Accounting Principles included in Supplementary Data is an integral part of these financial statements.

19. Subsequent Event

In February 1985, Algoma Steel and Canadian Pacific Limited entered into a limited partnership arrangement in which Algoma is the general partner and CP Limited the sole limited partner. In exchange for tax benefits, CP Limited will provide funds sufficient for the completion of the tube mill, estimated at $150,000,000.

Supplementary Data

The following supplementary data are provided to comply with certain disclosure requirements of the Securities and Exchange Commission (SEC) of the United States, and recommendations of the Canadian Institute of Chartered Accountants.

Canadian and United States Accounting Principles

The consolidated financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles (GAAP) in Canada, as promulgated by the Canadian Institute of Chartered Accountants. Over the years, a number of differences have developed between the accounting principles generally accepted in Canada and in the United States. For the information of the Corporation's United States shareholders, the major differences are described below and their effect on the Corporation's net income is summarized; their effect on the balance sheet is not significant.

The full cost method of accounting for Oil and Gas as promulgated by the SEC differs from the method followed by the Corporation in a number of respects. The primary differences are that Canadian GAAP permits capitalization of overhead which the SEC requires to be expensed and that Canadian GAAP permits the use of a world-wide full cost pool whereas the SEC requires that the cost centres be established on a country-by-country basis.

The method of recording income from land sales and gains on sale of income properties in proportion to proceeds realized and the sinking fund method of providing depreciation followed by the Real Estate segment in accordance with Canadian GAAP are not acceptable methods under United States GAAP. If United States accounting principles had been followed, income from land sales and gains on sale of income properties would have been recorded in total in the years that the transactions occurred and the straight-line method of depreciation would have been used.

Canadian GAAP permits deferred income tax balances to be carried forward on the balance sheet of an acquired company after a change in control, while United States GAAP requires such balances to be eliminated. Accordingly, when CIP was acquired, its deferred income tax balances were carried forward and since CIP recorded a loss in 1983 and 1982, the tax benefit of the loss carry forward has been recognized to the extent permissible under Canadian GAAP, by reducing deferred income taxes.

Prior to 1984, Enterprises followed the Canadian practice of translating foreign currency denominated long term debt (excluding the current portion) at historic exchange rates, while United States GAAP requires such debt to be translated at current rates. Effective January 1, 1984, Enterprises changed its accounting policy in respect of foreign currency translation, as described in Note 16. Enterprises now follows the new Canadian practice of translating foreign currency denominated long term debt at current rates and, except for the local currency debt of foreign subsidiaries considered to be self-sustaining, the exchange differences arising are amortized to income over the remaining lives of the loans, while United States GAAP requires such differences to be charged to income in the period in which they arise.

(in thousands)	**1984**	1983	1982	1981	1980
Net Income—Canadian GAAP	**$307,126**	$ 94,301	$150,144	$404,600	$491,257
Increased or (decreased) by:					
Oil and Gas	**(12,700)**	(10,600)	(15,300)	(10,200)	(4,900)
Real Estate	**(9,100)**	(8,700)	(5,300)	(5,500)	(2,500)
Deferred Income Taxes	**9,300**	(30,200)	(52,700)	—	—
Foreign Exchange	**(17,800)**	(2,800)	(12,600)	6,000	(7,800)
	(30,300)	(52,300)	(85,900)	(9,700)	(15,200)
Net Income—United States GAAP	**$276,826**	$ 42,001	$ 64,244	$394,900	$476,057
Earnings per Common Share:					
Canadian GAAP	**$ 1.96**	$ 0.61	$ 1.05	$ 2.87	$ 3.63
United States GAAP	**1.76**	0.27	0.45	2.80	3.52

Supplementary Data

Oil & Gas Reporting

The following information on oil and gas producing activities was prepared in accordance with Financial Accounting Standards Board Statement No. 69. Enterprises' financial statements are prepared utilizing the full cost method of accounting applied on a world-wide cost centre basis, in accordance with Canadian generally accepted accounting principles instead of in accordance with SEC full cost accounting requirements.

Oil and Gas Production, Exploration and Development (Unaudited)

	(in thousands)	1984	1983
Capitalized Costs	Conventional petroleum and natural gas properties	$2,152,068	$1,882,848
	Accumulated depletion and depreciation	670,913	557,842
		1,481,155	1,325,006
	Other—net	309,638	318,494
		$1,790,793	$1,643,500

Costs Incurred in Conventional Oil and Gas Activities

	Country (in thousands)	Property Acquisition	Exploration	Development
1984	Canada	$25,940	$124,021	$ 83,301
	United States	11,174	13,493	11,905
	Other	7	2,117	—
	Total	$37,121	$139,631	$ 95,206
1983	Canada	$21,406	$ 82,044	$ 77,247
	United States	8,072	14,275	7,962
	Other	45	1,881	—
	Total	$29,523	$ 98,200	$ 85,209
1982	Canada	$12,890	$ 62,959	$ 92,108
	United States	8,991	16,366	12,758
	Other	6	7,165	—
	Total	$21,887	$ 86,490	$104,866

Results of Operations for Producing Activities (Unaudited)

PanCanadian's conventional oil and gas producing activities may be summarized as follows:

	(in thousands)	Canada	United States	Total
1984	Gross operating revenue	$821,043	$26,618	$847,661
	Operating expenses	92,111	3,836	95,947
	Depreciation	35,023	1,130	36,153
		127,134	4,966	132,100
	Net operating revenue	$693,909	$21,652	715,561
	Depletion			77,066
	Income and revenue taxes			336,365
				413,431
	Income from operations			$302,130
1983	Gross operating revenue	$680,518	$19,818	$700,336
	Operating expenses	85,491	3,756	89,247
	Depreciation	27,619	1,071	28,690
		113,110	4,827	117,937
	Net operating revenue	$567,408	$14,991	582,399
	Depletion			59,634
	Income and revenue taxes			280,139
				339,773
	Income from operations			$242,626
1982	Gross operating revenue	$603,572	$17,611	$621,183
	Operating expenses	76,629	2,754	79,383
	Depreciation	23,008	1,027	24,035
		99,637	3,781	103,418
	Net operating revenue	$503,935	$13,830	517,765
	Depletion			53,713
	Income and revenue taxes			241,482
				295,195
	Income from operations			$222,570

The full cost method of accounting on a world-wide cost centre basis does not permit a meaningful segmentation of depletion. The income and revenue taxes relate to Canada only, as the United States operations are in a non-taxable position.

Supplementary Data

Oil and Gas Reserves (Unaudited)

PanCanadian's net proved reserves of conventional oil, natural gas and natural gas liquids as estimated by PanCanadian engineers are summarized below. "Net" reserves are the gross reserves underlying the properties in which PanCanadian has either a working interest, less all royalties and interests owned by others, or a royalty interest.

	Oil (including natural gas liquids) (thousands of barrels)			Gas (billion cubic feet)		
	Canada	United States	Total	Canada	United States	Total
Net proved reserves: December 31, 1981	103,791	678	104,469	2,456	17	2,473
Revisions of previous estimates	3,363	(5)	3,358	96	2	98
Extensions and discoveries	5,188	292	5,480	126	6	132
1982 Production	(12,244)	(218)	(12,462)	(113)	(2)	(115
Net proved reserves: December 31, 1982	100,098	747	100,845	2,565	23	2,588
Revisions of previous estimates	7,717	92	7,809	138	(6)	132
Extensions and discoveries	9,264	490	9,754	116	5	121
1983 Production	(13,703)	(249)	(13,952)	(102)	(3)	(105
Net proved reserves: December 31, 1983	103,376	1,080	104,456	2,717	19	2,736
Revisions of previous estimates	12,510	(268)	12,242	53	1	54
Extensions and discoveries	17,712	552	18,264	81	2	83
1984 Production	(15,579)	(380)	(15,959)	(120)	(4)	(124
Net proved reserves: December 31, 1984	118,019	984	119,003	2,731	18	2,749

Proved reserves are those reserves which geological and engineering data demonstrate with reasonable certainty to be recoverable in the future at commercial production rates under present depletion methods and current operating conditions, prices and costs. Essentially all of PanCanadian's proved crude oil reserves are considered to be developed and recoverable through existing wells with existing facilities. In the case of PanCanadian's proved natural gas and associated liquids reserves, sufficient wells exist in most instances to meet required initial withdrawal rates from the respective reservoirs. As a result, the natural gas and natural gas liquids reserves are considered to be developed even though additional drilling will be required in certain cases to drain effectively the respective reservoirs in a desirable length of time.

Standardized Measure of Discounted Future Net Cash Flows (Unaudited)

The Financial Accounting Standards Board acknowledges that the standardized measure of discounted net cash flows cannot be considered an estimate of fair market value. The inclusion of this information should not be interpreted as indicating that Enterprises believes that valid inferences as to the probable measure of fair market value or future economic position can be derived therefrom.

The standardized measure of discounted future net cash flows is set forth below:

	(in thousands)	Canada	United States	Total
1984	Future cash inflows	$10,799,898	$112,928	$10,912,826
	Future production and development costs	2,368,884	22,392	2,391,276
	Future income tax expenses	3,200,187	–	3,200,187
	Future revenue tax expenses	1,130,006	–	1,130,006
	Future net cash flows	4,100,821	90,536	4,191,357
	10% annual discount for estimated timing of cash flows	2,046,599	32,136	2,078,735
	Standardized measure of discounted future net cash flows	$ 2,054,222	$ 58,400	$ 2,112,622
1983	Future cash inflows	$10,925,117	$116,878	$11,041,995
	Future production and development costs	2,862,877	25,713	2,888,590
	Future income tax expenses	2,931,840	–	2,931,840
	Future revenue tax expenses	1,162,600	–	1,162,600
	Future net cash flows	3,967,800	91,165	4,058,965
	10% annual discount for estimated timing of cash flows	2,153,365	30,676	2,184,041
	Standardized measure of discounted future net cash flows	$ 1,814,435	$ 60,489	$ 1,874,924

Future net cash flows were computed using year end prices and year end statutory tax rates (adjusted for permanent differences) that relate to existing proved oil and gas reserves.

Supplementary Data

Standardized Measure of Discounted Future Net Cash Flows (Unaudited) continued

The following table sets out the principal sources of change in the standardized measure of discounted future net cash flows:

(in thousands)	1984	1983	1982
Standardized measure of discounted future net cash flows at beginning of year	$1,874,924	$1,987,630	$2,411,374
Add:			
Additions to proved reserves net of capital and production costs	388,442	131,268	126,521
Expenditures that reduced estimated future development costs	7,403	19,164	83,210
Accretion of discount	354,649	368,526	520,567
Revisions of previous estimates	680,238	149,832	646,197
Net changes in income and revenue taxes	–	74,108	799,418
	1,430,732	742,898	2,175,913
Deduct:			
Net changes in prices and production costs	199,377	244,399	2,058,285
Sales of oil and gas produced, net of production costs and mineral taxes	751,993	611,205	541,372
Net changes in income and revenue taxes	241,664	–	–
	1,193,034	855,604	2,599,657
Standardized measure of discounted future net cash flows at end of year	$2,112,622	$1,874,924	$1,987,630

Taxation of United States Shareholders

Under the terms of Canadian tax legislation and the United States-Canada tax convention, taxable dividends paid to United States resident shareholders of Enterprises (other than tax exempt organizations) are subject to a Canadian withholding tax of 15%.

Generally, capital gains on the disposition by non-residents of securities issued by Enterprises are exempt from Canadian tax unless the securities are held in the conduct of a Canadian business.

Reporting the Effects of Changing Prices (Unaudited)

CICA Recommendations on Reporting the Effects of Changing Prices

The Canadian Institute of Chartered Accountants (CICA) has recommended that Canada's largest public companies produce supplementary information about the effects of changing prices. While Enterprises has decided to comply with the recommendations, the Corporation believes that application of the computational techniques prescribed by the CICA results in data that are of limited value.

The CICA itself concedes that application of its recommendations to oil and gas, mining and forest products operations is not always practicable and may not yield meaningful data. Furthermore, in recognition of the difficulties involved, the CICA decided that income producing real estate and insurance operations, among others, should be exempted from its recommendations. Consequently, the results and assets of Marathon Realty Company and Chateau Insurance Company are included at their historical cost amounts.

Information about the Effects of Changing Prices

In preparing information about the effects of changing prices on inventories and properties, it was assumed, in accordance with the CICA's recommendations, that the Corporation's level of operations existing at December 31, 1984, would be maintained through replacement with like assets at current prices. In reality, decisions regarding whether or not assets will be replaced and the manner of replacement will be made in the light of future economic, regulatory, technological and competitive conditions. It must not be assumed, therefore, that the Corporation's operating capability will be maintained in the form and manner assumed in developing the current cost data. Also, it must not be assumed that the CICA approach, which implies that assets are being renewed as they are consumed, reflects the Corporation's asset replacement policy. Assets, if they are to be replaced, will be replaced at intervals which may be lengthy and at a time when revenue levels are likely to support replacement costs.

The assumption that operating capability will be maintained is particularly questionable in the context of the Corporation's natural resource activities. Oil and gas wells and mines are unique in terms of location, ground conditions and potential and, when depleted they cannot be specifically replaced. Even if new reserves in existing quantities could be found, the current cost of finding such reserves would be difficult to determine.

It should be noted that, in accordance with the CICA's recommendations, income taxes as reported in the Corporation's historical cost financial statements have not been restated in computing income on a current cost basis. To call for hypothetical increases to depreciation, cost of goods sold and operating expenses resulting from inflation without giving recognition to a hypothetical reduction in income taxes may significantly overstate the impact of higher prices on an enterprise.

It should also be noted that the new CICA data were necessarily developed on the basis of assumptions and subjective estimates that are not verifiable and the adoption of different, but equally valid, assumptions could produce materially different results.

Supplementary Data

Reporting the Effects of Changing Prices (Unaudited) continued

Bases for Determining Current Costs

A variety of methods was used to determine the current cost of properties, including published indices, manufacturers' prices, appraisal values and engineering estimates. Because there is no generally accepted method for measuring the current cost of replacing existing oil and gas reserves, estimates of the current cost of petroleum and natural gas properties have been compiled by application of indices to historical costs. However, because the activities, and, therefore, the costs required to replace existing reserves are unpredictable, application of indices to historical costs results in current cost estimates that may be grossly misstated. The current cost of inventories was estimated based on current suppliers' prices, recent manufacturing costs and published price indices.

The 1983 comparative figures have been adjusted to 1984 dollars using the Consumer Price Index.

Statement of Consolidated Income on a Current Cost Basis Assuming Maintenance of Existing Operating Capability

(in thousands)	For the Year ended December 31 1984	1983
Income before extraordinary item	$307,126	$ 66,000
Adjustments to reflect changes in current costs:		
Cost of goods sold and operating expenses	63,000	30,000
Depreciation, depletion and amortization	354,000	351,000
Gains on disposal of properties	2,000	8,000
	419,000	389,000
Less: Outside shareholders' interest	143,000	133,000
	276,000	256,000
Income (Loss) on a current cost basis	31,126	(190,000)
Financing adjustment	140,000	107,000
Income (Loss) attributable to common shareholders on a current cost basis	$171,126	$ (83,000)
Note: The provision for income taxes of $325,622,000 (1983 - $103,911,000) has not been adjusted from the amount reflected in the Corporation's historical cost financial statements. If the adjustments to reflect changes in current cost were tax affected, the reduction in the Corporation's income tax expense would result in the net income attributable to common shareholders being approximately	$282,000	$ 25,000

The Corporation's income on a current cost basis for 1984, which has been prepared in accordance with, and which reflects the inherent limitations of the techniques prescribed by the CICA, is below historical cost income. This is primarily due to significantly higher charges ($354,000,000; 1983 - $351,000,000) for depreciation, depletion and amortization. Included in the higher depreciation charges, however, are estimated amounts totalling $159,000,000 (1983 - $170,000,000) for oil and gas and mining operations—activities for which the CICA recommendations have little relevance.

On the assumption that the Corporation will continue to use a combination of debt and equity to finance its operations, the financing adjustment provides a measure of the extent to which shareholders will be shielded from the higher costs of replacing inventories and properties. The CICA recommendations require that the financing adjustment, which reflects the portion of current cost increases financed through net borrowings, be shown on two bases. The adjustment of $140,000,000 (1983 - $107,000,000) which is reflected in the Corporation's current cost income attributable to common shareholders is based on the total increase in current costs during 1984. If the financing adjustment had been based on current cost adjustments to income, it would have amounted to $108,000,000 (1983 - $98,000,000).

Reporting the Effects of Changing Prices (Unaudited) continued

Schedule of Consolidated Assets on a Current Cost Basis

(in thousands)	December 31 1984 Historical Cost Basis	1984 Current Cost Basis	1983 Current Cost Basis
Inventories	$1,696,475	$ 1,736,000	$ 1,821,000
Properties (net)	8,025,765	12,815,000	12,842,000
Net Assets (common shareholders' equity)	3,178,558	6,557,000	6,466,000

Net assets on a current cost basis consist of common shareholders' equity on a historical cost basis, plus the difference (net of outside shareholders' interest) between the current and historical cost of inventories and properties.

Other Supplementary Information

(in thousands)	For the Year ended December 31 1984	1983
Increase in the current cost amounts of inventories and properties	$540,000	$ 428,000
Effect of general inflation	476,000	579,000
Excess (shortfall) of the effect of current cost over the increase in general inflation	$ 64,000	$(151,000)
Gain in general purchasing power from having net monetary liabilities	$190,000	$ 235,000

Included under Other Supplementary Information are additional data called for by the CICA. The increase in the current cost amounts of inventories and properties, less the effect of general inflation, indicates that during 1984 the value of the Corporation's assets, measured in current costs, increased at a greater rate than the rate of general inflation as measured by the Consumer Price Index.

The gain in general purchasing power from having net monetary liabilities represents the benefit to the Corporation from financing part of its operations with debt which, because of inflation, has declined in real terms.

Supplementary Data

Reporting the Effects of Changing Prices (Unaudited) continued

Reserve Data

The CICA requires certain quantity disclosures for companies with interests in mineral and oil and gas reserves. The disclosures covering oil and gas reserves are included as Supplementary Data under Oil and Gas Reporting.

Major Proven and Probable Ore Reserves
(in thousands of short tons)

	Dec. 31 1982	Changes During the Year			Dec. 31 1983	Changes During the Year			Dec. 31 1984
		Production	Discoveries	Revisions		Production	Discoveries	Revisions	
Cominco Ltd.									
Sullivan, Pine Point (69.1% owned), Polaris, Black Angel (62.5% owned) and Magmont Mines (50% owned)	**102,400**	(6,000)	12,200	(8,800)	**99,800**	(8,000)	10,000	(1,900)	**99,900**
Con-Rycon Mine	**2,100**	(209)	171	(162)	**1,900**	(244)	159	(115)	**1,700**
Buckhorn Mine	**–**	–	5,100	–	**5,100**	(194)	194	(2,000)	**3,100**
Valley Mine	**500,000**	(7,900)	–	16,900	**509,000**	(9,300)	116,300	–	**616,000**
Warm Springs Mine	**7,300**	(188)	588	–	**7,700**	(210)	110	–	**7,600**
Vade Mine	**155,000**	(3,353)	–	353	**152,000**	(3,800)	1,600	200	**150,000**
Fording Coal Limited									
Fording River Operations	**238,800**	(3,100)	–	1,300	**237,000**	(4,400)	–	6,300	**238,900**
Thermal Coal	**2,133,000**	(4,200)	–	(72,000)	**2,056,800**	(5,500)	–	(81,300)	**1,970,000**
The Algoma Steel Corporation, Limited									
Wawa Mine	**50,702**	(1,270)	–	(4,092)	**45,340**	(1,414)	–	56	**43,982**
Tilden Mine (30% owned)	**81,249**	(1,346)	–	–	**79,903**	(1,796)	–	–	**78,107**
Cannelton Mines									
Metallurgical Coal	**186,300**	(1,716)	–	225	**184,809**	(1,740)	–	(43,173)	**139,896**
Thermal Coal	**80,000**	(520)	–	(396)	**79,084**	(1,052)	–	17,225	**95,257**

The reserve and production quantities listed for the associated companies of Cominco represent the full amounts and not Cominco's share. The reserve and production quantities for the Tilden Mine represent Algoma's share only.

The reserve and production quantities included above for Cominco are stated in tons of ore, while the quantities for Algoma are stated in product tons of sinter (48% iron) and pellets (65% iron) at the Wawa and Tilden Mines respectively. The reserve and production quantities noted for Fording Coal, and Algoma's Cannelton Mines, are stated in short tons of cleaned coal.

Fording currently receives only a royalty from the production of its thermal coal reserves.

Total expenditures on exploration for minerals in the year 1984 amounted to $42,000,000.

Reporting the Effects of Changing Prices (Unaudited) continued

Mineral Content of Reserves and Production	Minerals Contained in Reserves	December 31 1984	December 31 1983	Production During Year (tons are short tons)	
Cominco Ltd.					
Sullivan, Pine Point, Polaris, Black Angel and Magmont Mines	Lead	4.0%	4.1%	380,800 tons	(concentrate)
	Zinc	7.6%	7.6%	833,400 tons	(concentrate)
	Silver (Sullivan and Black Angel only)	1 oz. per ton	1 oz. per ton		
Buckhorn Mine	Gold	0.04 oz. per ton	0.04 oz. per ton	3,100 oz.	
Con-Rycon Mine	Gold	0.42 oz. per ton	0.44 oz. per ton	89,100 oz.	
Valley Mine	Copper	0.47%	0.475%	41,700 tons	(contained metal)
Warm Springs Mine	P_2O_5	30.0%	30.0%	210,000 tons	(phosphate rock)
Vade Mine	K_2O	25.3%	25.3%	1,361,100 tons	(concentrate)

Supplementary Data

1984 Quarterly Financial Information (Unaudited)

(in thousands)	For the Three Months ended	March 31	June 30	September 30	December 31
Oil and Gas	Gross operating revenue	$270,939	$251,053	$244,643	$288,723
	Expenses including income and revenue taxes	193,865	179,864	178,541	203,059
		77,074	71,189	66,102	85,664
	Interest of outside shareholders	9,958	9,198	8,540	11,068
	Net income	67,116	61,991	57,562	74,596
Mines and Minerals	Gross operating revenue	460,040	527,177	471,938	445,426
	Expenses including income taxes	453,563	503,446	461,501	446,148
		6,477	23,731	10,437	(722)
	Interest of outside shareholders	4,185	11,643	7,207	309
	Net income	2,292	12,088	3,230	(1,031)
Forest Products	Sales and operating revenue	509,624	551,568	575,056	563,083
	Expenses including income taxes	539,109	557,726	575,848	528,715
		(29,485)	(6,158)	(792)	34,368
	Interest of outside shareholders	(3,452)	146	141	10,883
	Net income	(26,033)	(6,304)	(933)	23,485
Iron and Steel	Sales and operating revenue	736,527	802,891	725,013	753,196
	Expenses including income taxes	751,431	797,780	744,342	769,977
		(14,904)	5,111	(19,329)	(16,781)
	Interest of outside shareholders	(1,634)	7,870	(7,032)	(6,065)
	Net income	(13,270)	(2,759)	(12,297)	(10,716)
Real Estate	Gross rentals and other income	66,274	66,273	71,278	73,745
	Expenses including income taxes	61,986	58,232	60,663	68,913
		4,288	8,041	10,615	4,832
	Interest of outside shareholders	84	96	111	162
	Net income	4,204	7,945	10,504	4,670
Agriproducts	Gross operating revenue	290,759	331,021	288,222	348,656
	Expenses including income taxes	285,124	326,921	282,626	330,455
		5,635	4,100	5,596	18,201
	Interest of outside shareholders	558	587	755	784
	Net income	5,077	3,513	4,841	17,417
Other Businesses	Gross operating revenue	22,178	23,111	22,090	25,866
	Expenses including income taxes	20,495	20,918	20,460	22,208
	Net income	1,683	2,193	1,630	3,658
Financial	Gross operating revenue	35,261	38,364	39,234	40,087
	Expenses including income taxes	32,467	35,519	36,081	38,105
	Net income	2,794	2,845	3,153	1,982
Net Income		$ 43,863	$ 81,512	$ 67,690	$114,061
Earnings per Common Share	Net Income	28¢	53¢	42¢	73¢

Income in the fourth quarter of 1984 included tax related benefits arising from reorganizations in the forest products sector and from the elimination of a deferred tax balance in a U.S. agriproducts subsidiary owing to changes in U.S. tax laws.

1983 Quarterly Financial Information (Unaudited)

(in thousands)	For the Three Months ended	March 31	June 30	September 30	December 31
Oil and Gas	Gross operating revenue	$226,602	$207,823	$200,215	$249,747
	Expenses including income and revenue taxes	160,419	154,334	146,579	181,964
		66,183	53,489	53,636	67,783
	Interest of outside shareholders	8,551	6,911	6,929	8,758
	Net income	57,632	46,578	46,707	59,025
Mines and Minerals	Gross operating revenue	339,216	479,951	334,210	458,171
	Expenses including income taxes	356,443	485,254	352,719	455,393
		(17,227)	(5,303)	(18,509)	2,778
	Interest of outside shareholders	(8,172)	(1,149)	(6,116)	2,659
	Net income	(9,055)	(4,154)	(12,393)	119
Forest Products	Sales and operating revenue	400,333	462,761	480,542	488,541
	Expenses including income taxes	441,403	494,048	502,581	509,703
		(41,070)	(31,287)	(22,039)	(21,162)
	Interest of outside shareholders	(5,689)	(3,977)	(3,845)	(3,235)
	Net income	(35,381)	(27,310)	(18,194)	(17,927)
Iron and Steel	Sales and operating revenue	529,554	607,259	634,150	683,642
	Expenses including income taxes	560,571	646,243	679,944	733,081
		(31,017)	(38,984)	(45,794)	(49,439)
	Interest of outside shareholders	(9,994)	(16,198)	(20,254)	(25,362)
	Net income	(21,023)	(22,786)	(25,540)	(24,077)
Real Estate	Gross rentals and other income	66,636	62,544	72,333	72,570
	Expenses including income taxes	57,568	58,370	65,588	66,346
		9,068	4,174	6,745	6,224
	Interest of outside shareholders	82	96	101	71
	Net income	8,986	4,078	6,644	6,153
Agriproducts	Gross operating revenue	244,157	293,716	324,380	367,098
	Expenses including income taxes	241,696	288,970	317,352	358,184
		2,461	4,746	7,028	8,914
	Interest of outside shareholders	583	504	649	811
	Net income	1,878	4,242	6,379	8,103
Other Businesses	Gross operating revenue	70,976	87,755	100,303	63,876
	Expenses including income taxes	72,215	83,288	90,034	62,091
	Net income	(1,239)	4,467	10,269	1,785
Financial	Gross operating revenue	34,587	35,642	35,249	36,770
	Expenses including income taxes	32,297	34,015	33,556	33,480
	Net income	2,290	1,627	1,693	3,290
	Income before extraordinary item	4,088	6,742	15,565	36,471
	Extraordinary item	—	—	—	31,435
Net Income		$ 4,088	$ 6,742	$ 15,565	$ 67,906
Earnings per Common Share	Income before extraordinary item	3¢	4¢	10¢	24¢
	Net income	3¢	4¢	10¢	44¢

Five-Year Summary

(Figures in thousands, except amounts per share)	**1984**	1983	1982	1981	1980
Revenues	**$ 9,856,057**	$ 8,652,239	$ 8,494,663	$ 8,558,759	$6,659,250
Consolidated income					
Oil and gas	**$ 261,265**	$ 209,942	$ 200,864	$ 177,414	$ 210,182
Mines and minerals	**16,579**	(25,483)	(13,198)	37,662	98,638
Forest products	**(9,785)**	(98,812)	(97,344)	16,227	45,569
Iron and steel	**(39,042)**	(93,426)	(25,717)	93,586	61,206
Real estate	**27,323**	25,861	26,212	24,027	20,991
Agriproducts	**30,848**	20,602	16,620	19,938	9,674
Other businesses	**9,164**	15,282	15,268	16,866	11,802
Financial	**10,774**	8,900	27,439	18,880	33,195
Income before extraordinary item	**307,126**	62,866	150,144	404,600	491,257
Extraordinary item	**–**	31,435	–	–	–
Net Income	**$ 307,126**	$ 94,301	$ 150,144	$ 404,600	$ 491,257
Total assets	**$12,357,397**	$11,933,895	$12,017,478	$11,241,120	$8,496,146
Total long term debt	**$ 3,983,039**	$ 4,147,494	$ 4,137,928	$ 3,456,949	$2,027,113
Outside shareholders' interest in subsidiary companies	**1,731,068**	1,615,121	1,539,590	1,508,794	1,377,625
Shareholders' equity	**3,278,558**	2,965,827	2,984,282	2,760,662	2,498,562
Total capitalization	**$ 8,992,665**	$ 8,728,442	$ 8,661,800	$ 7,726,405	$5,903,300
Dividends					
Preferred Shares	**$ 3,666**	$ –	$ –	$ –	$ 22
Common Shares	**$ 123,430**	$ 123,007	$ 138,377	$ 157,932	$ 137,973
Number of Shares Outstanding					
Common–actual	**154,506**	153,941	153,474	141,356	140,661
–average	**154,262**	153,736	142,990	140,972	135,335
Preferred–actual	**5,000**	Nil	Nil	Nil	Nil
Per Common Share					
Income before extraordinary item	**$ 1.96**	$ 0.41	$ 1.05	$ 2.87	$ 3.63
Net income	**$ 1.96**	$ 0.61	$ 1.05	$ 2.87	$ 3.63
Dividends–paid quarterly	**$ 0.80**	$ 0.80	$ 0.96	$ 1.12	$ 1.005

Directors

M. Norman Anderson,
Chairman and Chief Executive Officer,
Cominco Ltd., Vancouver

F. S. Burbidge,*
Chairman and Chief Executive Officer,
Canadian Pacific Limited, Montreal

Robert W. Campbell,*
Chairman and Chief Executive Officer,
Canadian Pacific Enterprises Limited, Calgary

Paul Desmarais, O.C.,*
Chairman and Chief Executive Officer,
Power Corporation of Canada, Montreal

S. E. Eagles,*
President,
Canadian Pacific Enterprises Limited, Calgary

Thomas M. Galt,
Chairman and Chief Executive Officer,
Sun Life Assurance Company of Canada, Toronto

C. Merv Leitch, Q.C.,
Partner,
Macleod Dixon, Calgary

John Macnamara,
Chairman and Chief Executive Officer,
The Algoma Steel Corporation, Limited, Sault Ste. Marie

Angus A. MacNaughton,†
President and Chief Executive Officer,
Genstar Corporation, San Francisco

W. Earle McLaughlin,*†
Corporate Director,
Montreal

Paul A. Nepveu,
Corporate Director,
Montreal

The Hon. John L. Nichol, O.C.,
President,
Springfield Investment Co. Ltd., Vancouver

Paul L. Paré, O.C.,*
Chairman and Chief Executive Officer,
Imasco Limited, Montreal

Neil F. Phillips, Q.C.,†
Partner,
Phillips & Vineberg, Montreal

C. Douglas Reekie,*†
President and Chief Executive Officer,
CAE Industries Ltd., Toronto

R. D. Southern,
Deputy Chairman and Chief Executive Officer,
ATCO Ltd., Calgary

William W. Stinson,
President,
Canadian Pacific Limited, Montreal

Ray D. Wolfe, C.M.,*
Chairman and Chief Executive Officer,
The Oshawa Group Limited, Toronto

*Member of Executive Committee
†Member of Audit Committee

Officers

Robert W. Campbell,
Chairman and Chief Executive Officer,
Calgary

S. E. Eagles,
President,
Calgary

L. T. Beare,
Vice-President and General Counsel, Calgary

J. F. Hankinson,
Vice-President Finance and Accounting, Calgary

G. S. MacLean,
Vice-President Administration and Secretary, Calgary

R. A. Norris,
Comptroller, Calgary

B. J. Zafirian,
Treasurer, Toronto

Directorate

The Directors desire to record their sincere appreciation for the distinctive leadership and direction given by the Honourable Ian D. Sinclair, O.C., Q.C. to the affairs of the Corporation since its incorporation in 1962. Senator Sinclair served as an Officer and a Director of the Corporation from its foundation until his retirement at the Annual Meeting in 1984.

On April 27, 1984, Mr. Paul Desmarais, O.C., was elected as a director of the Corporation to fill the vacancy created by Senator Sinclair's retirement.

Principal Subsidiary Companies

***PanCanadian Petroleum Limited**
Bartlett B. Rombough, President
PanCanadian Plaza
P.O. Box 2850
Calgary, Alberta
T2P 2S5

***Cominco Ltd.**
M. N. Anderson, Chairman
200 Granville Square
Vancouver, British Columbia
V6C 2R2

Fording Coal Limited
J. H. Morrish, President
Natural Resources Building
205-9th Avenue S.E.
Calgary, Alberta
T2G 0R4

***Steep Rock Resources Inc.**
P. M. Nixon, Chairman
40 University Avenue
Toronto, Ontario
M5J 2G5

CIP Inc.
C. S. Flenniken, Chairman
1155 Metcalfe Street
1416 Sun Life Building
Montreal, Quebec
H3B 2X1

***Great Lakes Forest Products Limited**
C. J. Carter, Chairman and President
P.O. Box 430
Thunder Bay, Ontario
P7C 4W3

***The Algoma Steel Corporation, Limited**
John Macnamara, Chairman
503 Queen Street East
Sault Ste. Marie, Ontario
P6A 5P2

***AMCA International Limited**
K. S. Barclay, Chairman and President
200 Ronson Drive, Suite 607
Rexdale, Ontario
M9W 5Z9

***Marathon Realty Company Limited**
D. King, President
Suite 1100, University Place
123 Front Street West
Toronto, Ontario
M5J 2M2

***Maple Leaf Mills Limited**
R. S. DeMone, President
P.O. Box 710
Station "K"
Toronto, Ontario
M4P 2X5

Canadian Pacific Enterprises (U.S.) Inc.
C. D. Amond, President
Suite 1550, One Lincoln Center
Syracuse, New York 13221
U.S.A.

Syracuse China Corporation
C. S. Goodman, President
2900 Court Street
P.O. Box 4820
Syracuse, New York 13221
U.S.A.

Processed Minerals Incorporated
J. David, Chairman
1800 Carey Blvd.
P.O. Box 459
Hutchinson, Kansas 67501
U.S.A.

***Canadian Pacific Securities Limited**
J. F. Hankinson, Chairman
Suite 800, University Place
123 Front Street West
Toronto, Ontario
M5J 2M2

Chateau Insurance Company
R. J. McCormick, President
Suite 2900
2300 Yonge Street
Toronto, Ontario
M4P 2X3

*A copy of the 1984 annual report of this company can be obtained by writing to its Secretary at the address above.

Common Share Market Prices

	Montreal and Toronto Stock Exchanges				New York Stock Exchange			
	1984		1983		**1984**		1983	
	High	Low	High	Low	High	Low	High	Low
First Quarter	**$25½**	**$20⅞**	$22¾	$17½	**U.S. $20⅛**	**U.S. $16⅜**	U.S. $18⅜	U.S. $14⅛
Second Quarter	**23⅛**	**19**	25¾	21½	**17¼**	**15**	20⅝	17¼
Third Quarter	**24¼**	**18⅝**	25⅞	20¾	**18¼**	**14¼**	20⅞	17⅛
Fourth Quarter	**25⅛**	**22⅜**	24½	20¾	**19⅛**	**16⅞**	19½	16½
Year	**25½**	**18⅝**	25⅞	17½	**20⅛**	**14¼**	20⅞	14⅛

Common Share Listings

Canada—Alberta, Montreal, Toronto and Vancouver Stock Exchanges
United States—New York Stock Exchange
Europe—London, England and Amsterdam, The Netherlands

Transfer Agents and Registrars

Montreal Trust Company, Calgary, Montreal, Toronto, Winnipeg, Regina and Vancouver.
Morgan Guaranty Trust Company of New York, New York, New York.
The Royal Trust Company, London, England.

Common Share Holdings December 31, 1984

Common shares outstanding 154,505,743, of which 107,941,718 were owned by Canadian Pacific Limited and the remainder by 29,167 shareholders, of whom 96.4% were Canadian registrants.

Form 10-K

A copy of the Corporation's Form 10-K filed with the Securities and Exchange Commission will be provided without charge on written application to the Vice-President Administration and Secretary, at the Corporation's Registered Office.

Registered Office

Suite 2300, One Palliser Square,
125 - 9th Avenue S.E., Calgary,
Alberta, Canada T2G 0P6

Geographic Distribution of Net Property Investment

At December 31, 1984

		Properties at Cost, less Depreciation (millions)	Percent of Total
Canada	Atlantic Provinces	$ 274	4
	Quebec	796	10
	Ontario	2,115	26
	Manitoba and Saskatchewan	222	3
	Alberta	1,692	21
	B.C.	1,396	17
	N.W.T., Yukon and Offshore	347	4
		6,842	85
Outside Canada	United States	1,101	14
	Other	83	1
		1,184	15
Total		$8,026	100

Version française

Si vous désirez vous procurer la version française du présent rapport, veuillez vous adresser au vice-président, Administration et secrétaire, Les Entreprises Canadien Pacifique Limitée, Suite 2300, 125 - 9th Avenue S.E., Calgary, Alberta T2G 0P6.

Canadian
Pacific
Enterprises
Limited

Suite 2300, One Palliser Square,
125 - 9th Avenue S.E.,
Calgary, Alberta
T2G 0P6

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Canadian Pacific Enterprises Limited

Proxy Statement March 1, 1985

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CanadianPacificEnterprisesLimited

Notice of Annual Meeting of Shareholders

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Canadian Pacific Enterprises Limited will be held in The Palliser Hotel, Calgary, Alberta, on Friday, April 26, 1985, at 11:00 a.m. (Calgary time), for the following purposes:

(a) to receive the Report of the Directors, accompanying Consolidated Financial Statements and Report of the Auditors thereon, for the year ended December 31, 1984;

(b) to elect directors;

(c) to appoint the auditors and to authorize the Board of Directors to fix their remuneration;

(d) to transact such other business as may properly come before the meeting.

The Board of Directors has, by resolution, fixed the time before which proxies to be used at the Annual Meeting of Shareholders or any adjournment thereof must be deposited at Calgary, Alberta, Canada, with the Corporation or the Montreal Trust Company as Agent for the Corporation, at twenty-four hours, excluding Saturdays and holidays, preceding the Annual Meeting or any adjournment thereof.

BY ORDER OF THE BOARD OF DIRECTORS,

G. S. MacLean,
Vice-President Administration
and Secretary.

Calgary, Alberta, Canada, March 1, 1985.

NOTE:

If you are unable to attend the meeting in person, please complete and return the enclosed form of proxy.

CanadianPacific**Enterprises**Limited

Registered Office: Suite 2300, One Palliser Square,
125 - 9th Avenue S.E., Calgary, Alberta, Canada T2G 0P6

Proxy Statement for Annual Meeting of Shareholders, Friday, April 26, 1985

Approximate Date Proxy Material First Sent to Shareholders: March 21, 1985

Solicitation of Proxies

This Proxy Statement is furnished in connection with the solicitation by the management of Canadian Pacific Enterprises Limited of proxies for use at the Annual Meeting of Shareholders of the Corporation to be held at the time and place and for the purposes set forth in the foregoing notice of meeting or any adjournment thereof. The total cost of solicitation will be borne by the Corporation.

Appointment of Proxyholders and Revocation of Proxies

At all meetings of shareholders of the Corporation every shareholder is entitled to one vote for each common share then held and such vote may be given in person or by proxy whether or not the proxyholder appointed by such proxy is a shareholder.

A shareholder giving a proxy has the right under subsection 142(4) of the *Canada Business Corporations Act* to revoke the proxy (1) by instrument in writing executed by the shareholder or by the shareholder's attorney authorized in writing and deposited either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the chairman of the meeting on the day of the meeting, or any adjournment thereof or (2) in any other manner permitted by law.

Voting Securities and Principal Holders Thereof

On March 1, 1985, there were 154,655,015 Common Shares outstanding, each carrying one vote. The Corporation has fixed the close of business on Friday, March 15, 1985, as the record date for the purpose of determining shareholders entitled to receive notice of the meeting but, in accordance with the *Canada Business Corporations Act,* subsection 129(2), the failure of any shareholder of the Corporation to receive a notice of a meeting of shareholders of the Corporation does not deprive the shareholder of a vote at the meeting. In accordance with subsection 132(2) of the *Canada Business Corporations Act,* if a person has acquired shares after the record date, that person is entitled to vote those shares at the meeting upon producing properly endorsed share certificates, or otherwise establishing share ownership, and demanding the inclusion of his/her name in the list of shareholders not later than 10 days before the date of the meeting.

Voting Securities and Principal Holders Thereof (continued)

As of March 1, 1985, Canadian Pacific Limited (CPL) was the only person who was known to the Corporation to be the beneficial owner of more than 5% of any class of its voting securities. Information concerning such beneficial ownership by CPL is set forth in the following table:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Shares	Canadian Pacific Limited 910 Peel Street Montreal, Canada H3C 3E4	107,941,718 shares. Sole voting and investment power	69.80

CPL is engaged in various transportation activities including the operation, primarily in Canada, of CP Rail. CP Rail is a significant customer of The Algoma Steel Corporation, Limited (Algoma), a 61.2% owned subsidiary of the Corporation, and purchased, at published prices, $42,000,000 of rail and other steel products in 1984. CPL owns significant real estate not used for transportation purposes, the substantial part of which is managed by Marathon Realty Company Limited (Marathon), a wholly-owned subsidiary of the Corporation. Marathon also provides real estate tax services for all of CPL's real estate. Such management and tax services are provided pursuant to an agreement under which CPL paid Marathon $2,600,000 in 1984. Other transactions between CPL and the Corporation's subsidiaries represent transportation and communications services rendered under published tariffs (e.g., the shipping of goods by the Corporation's subsidiaries on CP Rail), or are insignificant. In addition, the Corporation and CPL provide each other with certain corporate staff services at cost.

Except for the shares deemed to be beneficially owned by Mr. Paul Desmarais, O.C. (see footnote (1) on page 8), the directors and officers of the Corporation as a group as of March 1, 1985, were the beneficial owners of less than 0.05% of the common shares of the Corporation or of any class of equity securities of CPL (excluding directors' qualifying shares) and were the beneficial owners of less than 0.50% of any class of equity securities of any subsidiary of the Corporation.

Voting Shares as Specified

Shares represented by properly executed proxies in favour of the persons designated in the printed portion of the enclosed form of proxy will be voted or withheld from voting on any ballot that may be called for and, where the shareholder specifies a choice with respect to any matter to be acted upon, such shares will be voted in accordance with any specification so made. **IN THE ABSENCE OF SUCH SPECIFICATION, SUCH SHARES WILL BE VOTED FOR THE ELECTION OF DIRECTORS, THE APPOINTMENT OF AUDITORS AND THE GRANTING OF AUTHORITY TO THE BOARD OF DIRECTORS TO FIX THE AUDITORS' REMUNERATION.**

Exercise of Discretion by Proxyholders

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting and with respect to other matters which may properly come before the meeting. At the date of this Proxy Statement, the management of the Corporation knows of no such amendments, variations or other matters to come before the meeting.

Election of Directors

The Board of Directors consists of 18 directors. Each director elected will hold office until the next Annual Meeting of Shareholders and until his successor is duly elected. The persons listed below, except Mr. Claude Pratte, Q.C., who is not now a director, will retire as directors at the forthcoming Annual Meeting of Shareholders on April 26, 1985, and they are eligible and will be nominated for re-election as directors. The management does not contemplate that any of the nominees will be unable to serve as directors but, if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Information as of March 1, 1985, as to the 18 nominees is as follows:

Election of Directors (continued)

Name of nominee, age, and offices held in the Corporation (For committee memberships and meeting attendance, see footnotes page 7)	Major offices held in significant affiliates	Principal occupation or employment	Director since	Number of shares of the Corporation, its subsidiaries and/or Canadian Pacific Limited beneficially owned or over which control or direction is exercised	Certain other directorships and relationships required to be reported by the U.S. Securities and Exchange Commission (See footnotes page 7)
M. Norman Anderson, 54	Chairman and Chief Executive Officer and Director—Cominco Ltd.	Chairman and Chief Executive Officer, Cominco Ltd., Vancouver, a subsidiary company, engaged in mining, metals, chemicals and fertilizers.	1980	1,000 Common Shares C.P. Enterprises Limited 17,961 Common Shares Cominco Ltd. (includes 3,447 shares held by a trustee pursuant to the Stock Savings and Purchase Plan and the Retirement Income Savings Plan of Cominco Ltd.) 1,000 Ordinary Shares C.P. Limited	Director of 1 Gulf Canada Limited
F. S. Burbidge, 66 ① ③	Chairman and Chief Executive Officer and Director—Canadian Pacific Limited; Director—AMCA International Limited, Cominco Ltd., Marathon Realty Company Limited, PanCanadian Petroleum Limited and Soo Line Corporation	Chairman and Chief Executive Officer, Canadian Pacific Limited, Montreal, the parent company.	1972	4,783 Common Shares C.P. Enterprises Limited 500 Common Shares AMCA International Limited 630 Common Shares Cominco Ltd. 400 Common Shares PanCanadian Petroleum Limited 6,665 Ordinary Shares C.P. Limited	Director of 1 Canadian Pacific Limited 1 Soo Line Corporation 1 AMCA International Limited
Robert W. Campbell, 62 Chairman and Chief Executive Officer ① ③	Chairman of the Board and Director—PanCanadian Petroleum Limited; Director—The Algoma Steel Corporation, Limited, AMCA International Limited, Canadian Pacific Limited, Cominco Ltd. and Great Lakes Forest Products Limited	Chairman and Chief Executive Officer, Canadian Pacific Enterprises Limited, Calgary.	1973	505 Common Shares C.P. Enterprises Limited 101 Common Shares The Algoma Steel Corporation, Limited 250 Common Shares AMCA International Limited 330 Common Shares Cominco Ltd. 100 Common Shares Great Lakes Forest Products Limited 13,760 Common Shares PanCanadian Petroleum Limited 2,000 Ordinary Shares C.P. Limited	Director of 1 Canadian Pacific Limited 1 AMCA International Limited 1 Westinghouse Electric Corporation

Election of Directors (continued)

Name of nominee, age, and offices held in the Corporation (For committee memberships and meeting attendance, see footnotes page 7)	Major offices held in significant affiliates	Principal occupation or employment	Director since	Number of shares of the Corporation, its subsidiaries and/or Canadian Pacific Limited beneficially owned or over which control or direction is exercised	Certain other directorships and relationships required to be reported by the U.S. Securities and Exchange Commission (See footnotes page 7)
Paul Desmarais, O.C., 58 ① ③	Director—Canadian Pacific Limited	Chairman and Chief Executive Officer, Power Corporation of Canada, Montreal, a holding and management corporation.	1984	1,000 Common Shares C.P. Enterprises Limited 2,000 Ordinary Shares C.P. Limited (For list of holdings deemed to be beneficially owned by Mr. Desmarais, see footnote (1) page 8)	Director of 1 Canadian Pacific Limited 1 The Seagram Company Ltd.
S. E. Eagles, 55 President ①	Chairman and Director—Marathon Realty Company Limited; Director—AMCA International Limited, The Algoma Steel Corporation, Limited, CIP Inc., Cominco Ltd., Maple Leaf Mills Limited and PanCanadian Petroleum Limited	President, Canadian Pacific Enterprises Limited, Calgary.	1983	2,000 Common Shares C.P. Enterprises Limited 101 Common Shares The Algoma Steel Corporation, Limited 100 Common Shares AMCA International Limited 4,000 $2.00 Tax Deferred Exchangeable Pfd. Shares Series A, Cominco Ltd. 2,400 Common Shares PanCanadian Petroleum Limited	Director of 1 AMCA International Limited 1 Maple Leaf Mills Limited
Thomas M. Galt, 63 ④	Nil	Chairman and Chief Executive Officer, Sun Life Assurance Company of Canada, Toronto.	1980	1,126 Common Shares C.P. Enterprises Limited 1,000 Ordinary Shares C.P. Limited	Nil
C. Merv Leitch, Q.C., 59	Nil	Partner, Law Firm of Macleod Dixon, Calgary.	1983	100 Common Shares C.P. Enterprises Limited	Director of 1 Chieftain Development Co. Ltd.

Election of Directors (continued)

Name of nominee, age, and offices held in the Corporation (For committee memberships and meeting attendance, see footnotes page 7)	Major offices held in significant affiliates	Principal occupation or employment	Director since	Number of shares of the Corporation, its subsidiaries and/or Canadian Pacific Limited beneficially owned or over which control or direction is exercised	Certain other directorships and relationships required to be reported by the U.S. Securities and Exchange Commission (See footnotes page 7)
John Macnamara, 59	Chairman and Chief Executive Officer and Director—The Algoma Steel Corporation, Limited; Director—AMCA International Limited	Chairman and Chief Executive Officer, The Algoma Steel Corporation, Limited, Sault Ste. Marie, a subsidiary company, a fully integrated iron and steel production company.	1975	486 Common Shares C.P. Enterprises Limited 1,046 Common Shares The Algoma Steel Corporation, Limited 2,000 $2.00 Cumulative Redeemable Convertible Class B Preference Shares Series 1 The Algoma Steel Corporation, Limited 100 Common Shares AMCA International Limited	Director of 1 AMCA International Limited
Angus A. MacNaughton, 53 (2)	Nil	President and Chief Executive Officer, Genstar Corporation, San Francisco, engaged in diversified industrial operations.	1975	2,000 Common Shares C.P. Enterprises Limited 12,000 Common Shares PanCanadian Petroleum Limited	Director of 1 Genstar Corporation
W. Earle McLaughlin, 69 (1) (2) (3) (4)	Director—The Algoma Steel Corporation, Limited and Canadian Pacific Limited	Corporate Director, Montreal.	1979	19,864 Common Shares C.P. Enterprises Limited 245 Common Shares The Algoma Steel Corporation, Limited 1,000 $2.00 Cumulative Redeemable Convertible Class B Preference Shares Series 1 The Algoma Steel Corporation, Limited 500 Common Shares AMCA International Limited 5,000 Ordinary Shares C.P. Limited	Director of 1 Canadian Pacific Limited 1 General Motors Corporation 1 Genstar Corporation 1 Nabisco Brands, Inc.
Paul A. Nepveu, 68	Director—The Algoma Steel Corporation, Limited, CIP Inc. and Cominco Ltd.	Corporate Director, Montreal.	1979	2,019 Common Shares C.P. Enterprises Limited 122 Common Shares The Algoma Steel Corporation, Limited 330 Common Shares Cominco Ltd. 500 $2.00 Tax Deferred Exchangeable Pfd. Shares Series A, Cominco Ltd. 125 Common Shares Great Lakes Forest Products Limited 400 Common Shares PanCanadian Petroleum Limited 250 Ordinary Shares C.P. Limited	Nil

Election of Directors (continued)

Name of nominee, age, and offices held in the Corporation (For committee memberships and meeting attendance, see footnotes page 7)	Major offices held in significant affiliates	Principal occupation or employment	Director since	Number of shares of the Corporation, its subsidiaries and/or Canadian Pacific Limited beneficially owned or over which control or direction is exercised	Certain other directorships and relationships required to be reported by the U.S. Securities and Exchange Commission (See footnotes page 7)
The Hon. John L. Nichol, O.C., 61	Nil	President of a private investment company, Vancouver.	1981	1,500 Ordinary Shares C.P. Limited	Director of [1] Alcan Aluminium Limited [1] Aluminum Company of Canada, Ltd. [1] Placer Development Limited
Paul L. Paré, O.C., 62 ① ③ ④	Director—Canadian Pacific Limited and CIP Inc.	Chairman and Chief Executive Officer, Imasco Limited, Montreal, a parent operating company with tobacco, food services, and retail divisions.	1974	4,000 Common Shares C.P. Enterprises Limited 2,000 Ordinary Shares C.P. Limited	Director of [1] Canadian Pacific Limited [2] Canadian Fund Inc.
Claude Pratte, Q.C., 60	Director—Canadian Pacific Limited and CIP Inc.	Partner, Law Firm of Stein, Monast, Pratte & Marseille, Quebec.		110,000 Common Shares C.P. Enterprises Limited 323 Common Shares The Algoma Steel Corporation, Limited 330 Common Shares AMCA International Limited 13,167 Ordinary Shares C.P. Limited	Director of [1] Canadian Pacific Limited
C. Douglas Reekie, 60 ① ② ③	Director—AMCA International Limited and Marathon Realty Company Limited	President and Chief Executive Officer, CAE Industries Ltd., Toronto, a holding and management company.	1979	1,383 Common Shares C.P. Enterprises Limited 2,000 $2.00 Tax Deferred Exchangeable Pfd. Shares Series A, Cominco Ltd. 1,500 Common Shares PanCanadian Petroleum Limited 2,000 Ordinary Shares C.P. Limited	Director of [1] AMCA International Limited
R. D. Southern, 54	Nil	Deputy Chairman and Chief Executive Officer, ATCO Ltd., Calgary, a holding company for a worldwide group of companies engaged primarily in energy and resource-related industries.	1974	9,000 Common Shares C.P. Enterprises Limited (includes 7,000 shares owned by Sentgraf Enterprises Ltd. in which Mr. Southern owns 60% of the equity shares)	Nil

Election of Directors (continued)

Name of nominee, age, and offices held in the Corporation (For committee memberships and meeting attendance, see footnotes below)	Major offices held in significant affiliates	Principal occupation or employment	Director since	Number of shares of the Corporation, its subsidiaries and/or Canadian Pacific Limited beneficially owned or over which control or direction is exercised	Certain other directorships and relationships required to be reported by the U.S. Securities and Exchange Commission (See footnotes below)
William W. Stinson, 51	President and Director—Canadian Pacific Limited; Director—Cominco Ltd., Great Lakes Forest Products Limited, Marathon Realty Company Limited, PanCanadian Petroleum Limited and Soo Line Corporation	President, Canadian Pacific Limited, Montreal, the parent company.	1982	837 Common Shares C.P. Enterprises Limited 300 Common Shares Cominco Ltd. 100 Common Shares Great Lakes Forest Products Limited 100 Common Shares PanCanadian Petroleum Limited 3,630 Ordinary Shares C.P. Limited	Director of 1 Canadian Pacific Limited 1 Soo Line Corporation
Ray D. Wolfe, C.M., 67 ① ③	Director—Canadian Pacific Limited	Chairman and Chief Executive Officer, The Oshawa Group Limited, Toronto, engaged in the merchandising of food, non-food and drugs.	1982	10,000 Common Shares C.P. Enterprises Limited 7,911 Ordinary Shares C.P. Limited (includes 1,500 shares owned by a Canadian registered charitable foundation of which Mr. Wolfe is a director, as to which he disclaims beneficial ownership)	Director of 1 The Bank of Nova Scotia 1 Canadian Pacific Limited

Footnotes

Committee members are identified in the first column as follows	Committee	Number of meetings in 1984
①	Executive	7
②	Audit	2
③	Nominating	0
④	Compensation	2

The Board of Directors held 9 meetings in 1984.

* attended fewer than 75% of Board and Committee meetings on which he served

All directors have been associated with the company or firm shown during the past 5 years except Mr. Robert W. Campbell, who became Vice-Chairman of the Corporation on February 5, 1982, Vice-Chairman and Chief Executive Officer on April 29, 1982 and Chairman and Chief Executive Officer on April 27, 1984 and, for more than 5 years prior thereto, was Chairman and Chief Executive Officer of PanCanadian Petroleum Limited, a subsidiary of the Corporation; Mr. S. E. Eagles, who became President of the Corporation on July 1, 1983 and, prior thereto, for more than 5 years was Chairman and President of Marathon Realty Company Limited, a subsidiary of the Corporation; Mr. C. Merv Leitch, Q.C., who was Minister of Energy and Natural Resources, Government of Alberta since March, 1979 until his resignation in November, 1982 and, prior thereto, was Provincial Treasurer, Government of Alberta from April, 1975; Mr. W. Earle McLaughlin, who was Chairman of the Board from January, 1979 to September, 1980 and, prior thereto, was Chairman and Chief Executive Officer of a Canadian chartered bank; and Mr. Paul A. Nepveu who was Chairman of the Board, CIP Inc., a subsidiary of the Corporation, from October 1, 1981 to April 23, 1984, Corporate Consultant to the Corporation from May 1, 1981 to December 31, 1981 and Vice-Chairman of the Corporation from April 30, 1979 to May 1, 1981.

1 Subject to requirements of Sections 12 or 15 (d) of the United States Securities Exchange Act of 1934.
2 Registered as an investment company under the United States Investment Company Act of 1940.

Footnotes (continued)

(1) Mr. Paul Desmarais, O.C., is Chairman and Chief Executive Officer of Power Corporation of Canada (Power).

At March 1, 1985, Power owned directly 3,368,200 Ordinary Shares of Canadian Pacific Limited (CPL), or 4.70% of the class, and as to which Power is deemed to have sole voting and investment powers and of which it is deemed to be the beneficial owner under regulations of the United States Securities and Exchange Commission. At the same date, Power controlled or had substantial interests in companies which owned or held or controlled 615,800 Ordinary Shares of CPL, or 0.86% of the class, and 45,000 Common Shares of the Corporation, or 0.03% of the class, as to which Power is deemed under such regulations to have sole voting and investment powers and of which it is deemed to be the beneficial owner, and 4,167,774 Ordinary Shares of CPL, or 5.82% of the class, and 1,609,289 Common Shares or 1.04% of the class of the Corporation, as to which Power is deemed to share voting and investment powers and of which it is also deemed to be the beneficial owner. At the same date, companies which Power controlled or in which it had substantial interests also owned or held or controlled shares in subsidiaries of the Corporation, as to which Power is deemed to share voting and investment powers and of which it is deemed to be the beneficial owner, as follows:

Canadian Pacific Enterprises Limited Subsidiary	Common Shares	Percent of Class
The Algoma Steel Corporation, Limited	1,470,183	10.22
AMCA International Limited	1,246,802	3.75
Cominco Ltd.	3,097,308	4.82
Pine Point Mines Limited	107,485	2.38
Vestgron Mines Limited	95,522	2.26
Great Lakes Forest Products Limited	155,825	3.22
Corporate Foods Limited	51,000	1.63
Eastern Bakeries Limited	5,420	0.49
PanCanadian Petroleum Limited	829,900	0.66
Steep Rock Resources Inc.	255	—

Except for the 3,368,200 shares of CPL owned directly by Power, the boards of directors of the companies which Power controls or in which it has substantial interests in fact exercise sole voting and investment powers with respect to the shares of CPL, the Corporation and its subsidiaries owned or held or controlled by them, and Power disclaims beneficial ownership of any shares not owned by it directly.

Mr. Paul Desmarais, O.C., a director of the Corporation, is deemed under regulations of the United States Securities and Exchange Commission to be the beneficial owner of all shares of CPL, the Corporation and its subsidiaries of which Power is deemed to be the beneficial owner; Mr. Desmarais disclaims beneficial ownership of any shares not owned by Power directly.

Other Information

The Board of Directors has a number of Committees including the Audit Committee, the Nominating Committee and the Compensation Committee.

The Audit Committee reviews the scope of the auditors' examinations and financial reporting. It meets with appropriate management, financial personnel, internal auditors and independent shareholder auditors in connection with these reviews. This Committee recommends to the Board the name of the shareholder auditors, subject to appointment by the shareholders at the Annual Meeting, to serve as auditors for the following year in examining the accounts of the Corporation. The shareholder auditors meet alone with the Audit Committee and have free access to the Committee at any time.

Other Information (continued)

The Nominating Committee considers and recommends the slate of candidates to the Board as nominees for election at the Annual Meeting or to fill any vacancy occurring on the Board of Directors, or any Committee thereof, however caused. The Committee will consider nominees recommended by shareholders and such recommendations may be forwarded to the Vice-President Administration and Secretary at the address shown for the registered office of the Corporation appearing on page 1 of this Proxy Statement.

The Compensation Committee considers and recommends to the Board the level of fees to be paid to directors and members of the Committees of the Board; the levels of salaries to be paid to senior officers and compensation or other such plans in which directors or senior officers are or may be eligible to participate. It also monitors benefits under compensation or other such plans and deals with other matters as directed by the Board from time to time.

Meetings of the Board of Directors are normally held 7 times per year.

Executive Compensation

The following table shows all compensation paid in 1984 (or to be paid in respect of 1984) by the Corporation and its subsidiaries to each of the 6 most highly compensated, key policy making executive officers of the Corporation and to all executive officers as a group, in accordance with U.S. Securities and Exchange Commission requirements:

Name of individual or number in group	Capacities in which served	Cash Compensation
Robert W. Campbell	Chairman and Chief Executive Officer of the Corporation and director and officer of certain subsidiaries	$ 543,884
S. E. Eagles	President of the Corporation and director and officer of certain subsidiaries	321,281
John Macnamara	Chairman and Chief Executive Officer, Algoma and director of the Corporation and of certain subsidiaries	316,837
M. Norman Anderson	Chairman and Chief Executive Officer, Cominco Ltd. and director of the Corporation and of certain subsidiaries	292,155
C. S. Flenniken	Chairman, President and Chief Executive Officer, CIP Inc.	266,298
B. B. Rombough	President and Chief Executive Officer, PanCanadian Petroleum Limited	254,817
All executive officers as a group (including 6 named: 14)		$3,212,781

Executive Compensation (continued)

Pursuant to an agreement with the Corporation, Mr. Robert W. Campbell is to receive, after age 65 or such other retirement date mutually acceptable to both parties, an amount equal to 66-2/3% of the average monthly salary during the 5 years immediately preceding his retirement or, if such period of employment is less than 5 years, his entire period of employment with the Corporation, less, in both cases, any benefits received from pension plans of previous employers. These monthly payments shall be made to Mr. Campbell so long as he shall hold himself reasonably available to consult with the Corporation in an advisory capacity and has not accepted employment with certain firms or corporations competing with the Corporation or its affiliates. Pursuant to a supplemental agreement with PanCanadian Petroleum Limited, a previous employer of Mr. Campbell, PanCanadian will reimburse the Corporation for 40% of any post retirement payments paid to Mr. Campbell under the terms of the first mentioned agreement.

Mr. Eagles and certain other executive officers included in the group but not named above participate in the Subsidiary Companies Pension Plan which is a contributory defined benefit plan pursuant to which pensions are paid to eligible officers and employees of the Corporation and its subsidiaries at retirement based on pensionable earnings during the last 5 years prior to retirement or any other consecutive 5 calendar years selected by the retiree. Normal retirement age is 65, and pensionable earnings consist of wages or salary. Pensionable earnings for Mr. Eagles during 1984 were $214,167 and at December 31, 1984 he had completed 35 years of pensionable service.

The following table illustrates the approximate pension benefits payable at normal retirement age under the Subsidiary Companies Pension Plan:

Average Annual	Years of Pensionable Service			
Pensionable Earnings	15	20	30	35
$200,000	$58,244	$ 77,776	$117,776	$137,776
225,000	65,744	87,776	132,776	155,276
250,000	73,244	97,776	147,776	172,776
275,000	80,744	107,776	162,776	190,276

Dr. Macnamara participates in Algoma's Extra Compensation Plan, pursuant to which Algoma had accrued at December 31, 1984, $366,000 which is payable in the future on the retirement or termination of employment or death during employment of Dr. Macnamara. In the event of early retirement, the amount is reduced by 3% per year for each year remaining until age 65.

Dr. Macnamara also participates in the Algoma Management Pension Plan, which is a non-contributory defined benefit plan pursuant to which pensions are paid to eligible officers and employees at retirement, based on pensionable earnings during the best 5 consecutive years prior to retirement. The maximum pension payable under Revenue Canada rules is approximately $60,000 per annum. Algoma has agreed to pay directly as an additional retirement benefit to eligible officers the amount by which pensions payable under the Plan exceed the $60,000 limit. Normal retirement age is 65, and pensionable earnings consist of salary and one half of any bonus. Pensionable earnings for Dr. Macnamara during 1984 were $271,369, and at December 31, 1984 he had completed 33 years of pensionable service.

The following table illustrates approximate combined pension benefits payable at normal retirement age under the Algoma Management Pension Plan and by Algoma directly:

Average Annual	Years of Pensionable Service			
Pensionable Earnings	15	20	30	40
$250,000	$61,300	$ 81,700	$122,500	$163,400
275,000	67,700	90,200	135,400	180,500
300,000	74,100	98,800	148,200	197,600
325,000	80,500	107,300	161,000	214,700

Executive Compensation (continued)

In addition, Dr. Macnamara participates, with other executive officers of Algoma, in a supplemental retirement plan pursuant to which participants who have completed 25 years of pensionable service at age 62 are guaranteed a pension at retirement which is the greater of 65% of their average annual pensionable earnings during the best 5 consecutive years prior to retirement or the combined amount payable under the Algoma Management Pension Plan and by Algoma directly.

Mr. M. N. Anderson participates in the Cominco Ltd. pension plan which is a non-contributory defined benefit plan pursuant to which pensions are paid to eligible officers and employees at retirement, based on pensionable earnings of the best consecutive 5 years in the final 10 years of employment. Normal retirement age is 65, and pensionable earnings consist of salary. The maximum pension payable under Revenue Canada rules is approximately $60,000 per annum. Effective January 1, 1984, Cominco Ltd. introduced a supplementary retirement plan for officers and employees of that company which provides benefits equal to the amount by which the accrued pension exceeds the maximum benefit payable under Revenue Canada rules. Pensionable earnings for Mr. M. N. Anderson during 1984 were $267,083, and at December 31, 1984 he had completed 27 years of pensionable service.

The following table illustrates approximate combined pension benefits payable at normal retirement age under the Cominco Ltd. pension plan and the supplementary retirement plan:

Average Annual Pensionable Earnings	Years of Pensionable Service			
	25	30	35	40
$250,000	$ 89,600	$107,500	$125,400	$132,900
275,000	98,900	118,700	138,500	146,800
300,000	108,300	130,000	151,600	160,600
325,000	117,700	141,200	164,800	174,500

Mr. C. S. Flenniken participates in CIP Inc.'s Survivor Income Benefit Plan and Employee Benefit Plan, to which plans CIP Inc. in 1984 contributed $17,934 and $6,639 respectively on behalf of Mr. Flenniken. The former plan guarantees Mr. Flenniken's beneficiary income for life, the amount of which depends upon the beneficiary's age and Mr. Flenniken's base salary at time of death. The proceeds of the Employee Benefit Plan are vested and are payable in the future upon retirement, death or termination of employment.

Mr. Flenniken also participates in the Employees' Retirement Plan of CIP Inc., as it applies to all non-union employees and officers, which plan is a non-contributory defined benefit plan pursuant to which pensions are paid to eligible officers and employees at retirement based upon pensionable earnings of each year of service recognized under the Plan. Normal retirement age is 65 and pensionable earnings consist of wages or salary and incentive compensation. Currently pension benefits accrue each year at the rate of 1¼% of pensionable earnings for such year up to the maximum under the Quebec or Canada Pension Plan, and 2% of pensionable earnings in excess of the year's maximum. The maximum pension payable under Revenue Canada rules is approximately $60,000 per annum. CIP has agreed to pay Mr. Flenniken directly as an additional retirement benefit the amount by which the pension payable to him under the Plan exceeds the $60,000 limit. On the basis of the benefits accumulated in 1984, projected to normal retirement age, Mr. Flenniken will accumulate a combined retirement allowance of approximately $155,000.

Mr. Rombough participates in the PanCanadian Petroleum Limited Pension Plan which is a contributory defined benefit plan pursuant to which pensions are paid to eligible officers and employees at retirement, based on pensionable earnings during the best 5 consecutive years in the 10 years prior to retirement. Normal retirement age is 65 and pensionable earnings consist of wages or salary. The maximum pension payable to Mr. Rombough under Revenue Canada rules is limited. PanCanadian has agreed to pay directly as an additional retirement benefit to officers and employees on normal retirement the amount by which pensions payable under the Plan exceed the limit under Revenue Canada rules. Pensionable earnings for Mr. Rombough during 1984 were $215,000 and his pensionable service at December 31, 1984 was 8 years.

Executive Compensation (continued)

The following table illustrates approximate combined retirement benefits payable at normal retirement age under the PanCanadian Pension Plan and by PanCanadian directly:

Average Annual Pensionable Earnings	Years of Pensionable Service 5	10	15	20
$200,000	$19,442	$38,884	$58,326	$ 77,768
225,000	21,942	43,884	65,826	87,768
250,000	24,442	48,884	73,326	97,768
275,000	26,942	53,884	80,826	107,768

Pursuant to an agreement with PanCanadian, Mr. Rombough is also entitled to receive upon his retirement a lump sum payment which will provide a supplemental monthly pension equivalent to 20% of his average monthly salary during the last 5 years preceding retirement.

An executive officer of one of the Corporation's principal subsidiaries who is included in the group but not named above participates in defined benefit retirement plans maintained by such subsidiary for eligible officers and employees. The benefits under such plans are based on years of pensionable service and average final pensionable earnings. Based on current pensionable earnings and assuming retirement at normal retirement age, this executive officer would be entitled to receive upon retirement a benefit of approximately $150,000 per annum.

No director who is also a salaried officer of the Corporation is entitled to any remuneration for the performance of his duties as a director. For the calendar year 1984, the Board authorized a basic retainer of $7,500 to each director, an additional retainer of $3,500 to each member of the Executive Committee and an additional retainer of $1,000 for the Chairman of the Audit Committee, a fee of $500 for each director for each meeting of the Board attended, a fee of $500 for each member for each meeting of the Executive Committee, Audit Committee, Compensation Committee, and Nominating Committee attended and a fee of $600 for each meeting of the Management Resources Committee attended.

The Board may award special remuneration to any director undertaking any service on behalf of the Corporation outside the duties ordinarily required of a director by the Corporation.

Executive Compensation (continued)

The following statement shows the directors' and officers' remuneration from the Corporation and its subsidiaries as required by sub-paragraph 35(t)(v) of the Canada Business Corporations Act Regulations:

	Nature of Remuneration Earned					
	Directors' Fees	Salaries	Bonuses	Non-accountable expense allowance	Other	Total
Remuneration of Directors	$	$	$	$	$	$
(A) Number of directors: 19						
(B) Body Corporate incurring the expense:						
Canadian Pacific Enterprises Limited	230,164					230,164
The Algoma Steel Corporation, Limited	50,500					50,500
AMCA International Limited	80,000					80,000
AMCA International Corporation	15,990					15,990
Canadian Pacific Securities Limited	1,175					1,175
CIP Inc.	11,600					11,600
Cominco Ltd.	52,747					52,747
Hawaiian Western Steel Limited	259					259
Vestgron Mines Limited	1,000					1,000
Great Lakes Forest Products Limited	13,233					13,233
Marathon Realty Company Limited	7,400					7,400
Pacific Forest Products Limited	1,475					1,475
PanCanadian Petroleum Limited	42,000					42,000
Remuneration of Officers						
(A) Number of officers: 8						
(B) Body Corporate incurring the expense:						
Canadian Pacific Enterprises Limited		1,298,498	271,398			1,569,896
Steep Rock Resources Inc.		100				100
Totals	$507,543	$1,298,598	$271,398	$NIL	$NIL	$2,077,539

The cost to the Corporation and its subsidiaries in 1984 of all benefits proposed to be paid under any pension or retirement plan to the persons mentioned in the foregoing table cannot readily be calculated.

Under the Corporation's Variable Compensation Payments Plan, the Compensation Committee of the Board of Directors fixes, annually, an amount which designated executives may receive as additional compensation. This amount ranges generally from 12½% to 30% of annual base salary. The award entitlement in each year, payable in cash in the subsequent year, is based on the Corporation's planned net income being attained. If the planned net income is exceeded, the payments may be increased by an amount up to 50% of the original percentage fixed. Amounts to be paid in 1985 with respect to performance in 1984 are included in each of the remuneration tables.

Cominco Ltd. Executive Stock Option Plan

Cominco Ltd. has reserved from Treasury 900,000 of its common shares (after giving effect to a three-for-one subdivision of such shares effective May 4, 1984) for stock option plans in favour of certain executives in the full time employment of Cominco or a subsidiary. On May 1, 1984, Cominco Ltd. granted to Mr. M. N. Anderson options to acquire 5,000 common shares of Cominco (increased to 15,000 shares after giving effect to the subdivision of shares). These options are exercisable between May 1, 1985 and April 30, 1989, at a price of either (a) $48.27, being 90% of the closing price of the common shares on the Toronto Stock Exchange on April 30, 1984, or (b) $53.625, being 100% of the closing price of the common shares on the Toronto Stock Exchange on April 30, 1984, as elected by the grantee, which prices would be adjusted to take into account the subsequent three-for-one subdivision of shares. Exercise of an option at one price extinguishes the right to purchase an equal number of common shares at the alternate price. Cominco common shares traded between $55.25 (high on a pre-split trading basis) and $17.50 (low on a post-split trading basis) during the 30 days preceding the date of granting of the options. In 1984, Mr. Anderson exercised options for 3,000 common shares at $32.40 per share (on a pre-split basis) having an aggregate net value (market value on date of exercise less exercise price) of $72,675. Cominco common shares traded between $55.25 and $61.00 during the 30 days preceding the date of purchase.

Indebtedness of Management

To assist employees affected by relocation, the Corporation makes mortgage loans available in amounts dependent upon the cost differentials in housing in the locations involved, the purchase price of the new house and the salary of the employee. Such loans are outstanding to Mr. J. F. Hankinson, Vice-President Finance and Accounting and Mr. R. A. Norris, Comptroller. The loan to Mr. Hankinson was made on December 9, 1982, and the loan to Mr. Norris was made on July 1, 1982, both loans for a term of 20 years. These loans bear no interest for the first 10 years and interest at the lesser of 10% or the Bank of Montreal prime rate for the last 10 years, with principal repayments commencing in the sixth year of the loan. The amounts outstanding on the loans to Messrs. Hankinson and Norris from the dates of their inception to February 28, 1985, were $91,000 and $85,500, respectively.

Directors and Officers Liability Insurance

The Corporation participates in directors and officers liability insurance acquired by Canadian Pacific Limited on behalf of its directors and officers and those of participating subsidiaries. The approximate amount of premium paid by the Corporation in 1984 in respect of its directors as a group and in respect of its officers as a group was $1,000 and $600 respectively. The aggregate amount of premium paid by the directors and the officers of the Corporation in respect of the year 1984 was approximately $130 and $160 respectively. The policy provides coverage with a limit of $100,000,000 in each policy year, subject to a deductible of $75,000 each loss to be absorbed by the Corporation.

Appointment of Auditors

Price Waterhouse have served as auditors of the Corporation since January 31, 1964 and will be nominated for reappointment to the office of auditors of the Corporation for a term expiring at the close of the next Annual Meeting of Shareholders to be held in 1986 at a remuneration to be fixed by the Board of Directors.

Representatives of Price Waterhouse are expected to be present at the meeting with the opportunity to make a statement if they so desire and to respond to appropriate questions.

Exchange

All dollar amounts recorded in this Proxy Statement are expressed in Canadian dollars. The exchange rate between the Canadian dollar and the U.S. dollar is not fixed. During 1984 the high and low spot rates of exchange were $1.3358 Canadian equals $1 U.S. and $1.2441 Canadian equals $1 U.S., respectively.

Shareholder Proposals

Any shareholder proposals to be included in the Proxy Statement to be issued in respect of the 1986 Annual Meeting of Shareholders must be received by the Vice-President Administration and Secretary of the Corporation by January 24, 1986.

A COPY OF THE CORPORATION'S FORM 10-K FILED WITH THE SECURITIES AND EXCHANGE COMMISSION WILL BE PROVIDED WITHOUT CHARGE ON WRITTEN APPLICATION TO THE VICE-PRESIDENT ADMINISTRATION AND SECRETARY AT THE ADDRESS SHOWN FOR THE REGISTERED OFFICE OF THE CORPORATION APPEARING ON PAGE 1 OF THIS PROXY STATEMENT.

The contents and the sending of this Proxy Statement have been approved by the directors of the Corporation.

G. S. MacLean,
Vice-President Administration
and Secretary.

Dated at Calgary, Alberta, Canada, as of March 1, 1985.

Canadian Pacific Enterprises Limited

Form 10-Q Quarterly Report for Quarter Ended June 30, 1985

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FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For Quarter Ended June 30, 1985

Commission file number 1-7984

Canadian Pacific Enterprises Limited

(Exact name of registrant as specified in its charter)

Canada

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

2300 One Palliser Square, 125-9th Avenue S.E., Calgary, Alberta T2G 0P6

(Address of principal executive offices) (Zip Code)

403-231-6100

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ___

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 31, 1985
Common Shares without nominal or par value	154,930,041 shares

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CANADIAN PACIFIC ENTERPRISES LIMITED

Index

CANADIAN PACIFIC ENTERPRISES LIMITED
Statement of Consolidated Income
Unaudited

	Quarter ended June 30 1985	Quarter ended June 30 1984	Six Months ended June 30 1985	Six Months ended June 30 1984
	(in thousands)			
Oil and Gas				
Gross operating revenue	$275,248	$251,053	$ 579,120	$ 521,992
Expenses including income and revenue taxes	206,715	179,864	422,245	373,729
	68,533	71,189	156,875	148,263
Interest of outside shareholders	8,854	9,198	20,268	19,156
Net income	59,679	61,991	136,607	129,107
Mines and Minerals				
Gross operating revenue	568,518	527,177	993,740	987,217
Expenses including income taxes	562,349	503,446	982,858	957,009
	6,169	23,731	10,882	30,208
Interest of outside shareholders	2,974	11,643	5,550	15,828
Net income	3,195	12,088	5,332	14,380
Forest Products				
Sales and operating revenue	547,169	551,568	1,089,828	1,061,192
Expenses including income taxes	553,043	557,726	1,099,426	1,096,835
	(5,874)	(6,158)	(9,598)	(35,643)
Interest of outside shareholders	6	146	2,710	(3,306)
Net income	(5,880)	(6,304)	(12,308)	(32,337)
Iron and Steel				
Sales and operating revenue	857,869	802,891	1,625,805	1,539,418
Expenses including income taxes	851,902	797,780	1,617,754	1,549,211
	5,967	5,111	8,051	(9,793)
Interest of outside shareholders	6,503	7,870	10,683	6,236
Net income	(536)	(2,759)	(2,632)	(16,029)
Real Estate				
Gross rentals and other income	68,154	66,273	136,344	132,547
Expenses including income taxes	63,721	58,232	125,089	120,218
	4,433	8,041	11,255	12,329
Interest of outside shareholders	125	96	225	180
Net income	4,308	7,945	11,030	12,149
Agriproducts				
Gross operating revenue	252,296	331,021	481,609	621,780
Expenses including income taxes	254,874	326,921	481,303	612,045
	(2,578)	4,100	306	9,735
Interest of outside shareholders	696	587	1,363	1,145
Net income	(3,274)	3,513	(1,057)	8,590
Other Businesses				
Gross operating revenue	28,564	23,111	55,526	45,289
Expenses including income taxes	25,359	20,918	49,656	41,413
Net income	3,205	2,193	5,870	3,876
Financial				
Gross operating revenue	35,214	38,364	72,007	73,625
Expenses including income taxes	35,566	35,519	75,165	67,986
Net income	(352)	2,845	(3,158)	5,639
Net Income	$ 60,345	$ 81,512	$ 139,684	$ 125,375
Weighted average number of shares outstanding	154,772	154,185	154,701	154,112
Earnings per Common Share	$0.38	$0.53	$0.88	$0.81
Dividends per Common Share	$0.20	$0.20	$0.40	$0.40
Depreciation, depletion and amortization	$151,750	$140,580	$ 300,353	$ 272,070
Interest expense	$124,517	$128,163	$ 252,560	$ 249,573
Income taxes	$ 98,224	$ 96,642	$ 189,914	$ 180,051

CANADIAN PACIFIC ENTERPRISES LIMITED

Statement of Changes in Consolidated Financial Position
for the Six Months ended June 30

		Unaudited 1985	1984
		(in thousands)	
Source of Funds	Net income	$139,684	$125,375
	Depreciation, depletion and amortization	300,353	272,070
	Deferred income taxes	31,810	(3,580)
	Outside shareholders' interest in income of subsidiaries	40,799	39,239
	Funds from operations	512,646	433,104
	Issuance of preferred shares	-	100,000
	Issuance of common shares	7,108	5,808
	Reduction of investments	11,603	33,881
	Issuance of long term debt	199,179	115,683
	Issuance of shares by subsidiaries	5,375	-
	Proceeds from sale of subsidiaries	73,773	-
	Proceeds from disposal of properties	24,257	30,340
	Decrease (increase) in working capital	3,632	(28,033)
	Sundries, net	27,899	5,545
		$865,472	$696,328
Application of Funds	Additions to properties	$465,738	$287,099
	Additions to investments	15,090	13,991
	Reduction in long term debt	234,068	292,589
	Dividends	65,236	61,655
	Dividends paid outside shareholders of subsidiaries	37,387	40,994
	Working capital of subsidiaries sold	47,953	-
		$865,472	$696,328

CANADIAN PACIFIC ENTERPRISES LIMITED

Consolidated Balance Sheet

ASSETS		Unaudited June 30 1985	December 31 1984
		(in thousands)	
Current Assets	Cash and temporary investments, at cost (approximates market)	$ 328,732	$ 323,571
	Loans receivable from affiliates	13,794	39,678
	Accounts receivable	1,495,013	1,416,128
	Inventories		
	Raw materials	572,724	603,442
	Work in progress	269,603	266,041
	Finished goods	581,475	589,002
	Stores and materials	234,588	237,990
	Prepaid expenses	75,531	53,257
		3,571,460	3,529,109
Investments		337,453	333,966
Properties, at cost	Oil and gas	2,781,779	2,546,105
	Mines and minerals	2,626,706	2,550,635
	Forest products	2,521,498	2,481,910
	Iron and steel	2,205,753	2,127,529
	Real estate	1,324,483	1,301,535
	Agriproducts	272,650	334,632
	Other businesses	88,947	83,975
	Financial	2,045	1,968
		11,823,861	11,428,289
	Less: Accumulated depreciation, depletion and amortization	3,659,442	3,402,524
		8,164,419	8,025,765
Other Assets and Deferred Charges		481,695	468,557
		$12,555,027	$12,357,397

CANADIAN PACIFIC ENTERPRISES LIMITED

Consolidated Balance Sheet

	LIABILITIES	Unaudited June 30 1985	December 31 1984
		(in thousands)	
Current Liabilities	Bank loans	$ 231,526	$ 305,215
	Accounts payable	531,005	537,333
	Accrued charges	818,420	797,833
	Notes and accrued interest payable	494,819	391,279
	Income and other taxes payable	48,235	63,708
	Dividends payable	33,050	34,131
	Long term debt maturing within one year	116,977	98,550
		2,274,032	2,228,049
Deferred Liabilities		183,348	193,894
Long Term Debt		3,884,560	3,884,489
Outside Shareholders' Interest in Subsidiary Companies		1,753,996	1,731,068
Deferred Income Taxes		1,088,669	1,041,339
Shareholders' Equity	Preferred shares		
	Authorized - 12,500,000 shares		
	Issued - 5,000,000 Cumulative, Redeemable Convertible, Series B shares	100,000	100,000
	Common shares		
	Authorized - Unlimited		
	Issued - 154,796,597 (1984-154,505,743) shares	1,091,480	1,084,372
	Paid-in surplus	81,846	81,846
	Retained income	2,066,080	1,991,632
	Foreign currency translation adjustments	31,016	20,708
		3,370,422	3,278,558
		$12,555,027	$12,357,397

CANADIAN PACIFIC ENTERPRISES LIMITED

Notes to Consolidated Financial Statements

1. In the opinion of the Corporation, the accompanying unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) which are necessary to present fairly the financial position as at June 30, 1985, and the results of operations for the periods ended June 30, 1985 and 1984. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada. Unless otherwise specified, all dollar amounts are expressed in Canadian dollars.

For the first six months of 1985, consolidated net income on the basis of U.S. generally accepted accounting principles would have been approximately $21 million lower than reported due mainly to the effect of the different treatment of oil and gas activities and foreign currency translation.

CANADIAN PACIFIC ENTERPRISES LIMITED

Notes to Consolidated Financial Statements

2. Expenses Including Income Taxes	Unaudited Quarter ended June 30 1985	1984	Six Months ended June 30 1985	1984
	(in thousands)			
Oil and Gas:				
Cost of goods sold	$ 62,503	$ 50,331	$ 128,064	$ 105,889
Selling, general and administrative	10,051	8,714	19,754	16,683
Depreciation, depletion and amortization	38,935	31,944	75,965	65,386
Interest	6,192	5,262	12,173	10,587
Income and revenue taxes	89,034	83,613	186,289	175,184
	206,715	179,864	422,245	373,729
Mines and Minerals:				
Cost of goods sold	384,064	340,515	668,550	652,644
Distribution, selling, general and administrative	113,465	96,187	199,434	180,997
Depreciation, depletion and amortization	34,721	34,139	69,305	67,724
Interest	23,590	23,701	46,462	46,196
Income taxes	6,509	8,904	(893)	9,448
	562,349	503,446	982,858	957,009
Forest Products:				
Cost of goods sold	464,607	460,479	924,772	916,095
Selling, general and administrative	19,819	19,489	36,447	40,695
Depreciation, depletion and amortization	37,241	32,821	73,126	61,468
Interest	35,280	39,567	72,546	76,713
Income taxes	(3,904)	5,370	(7,465)	1,864
	553,043	557,726	1,099,426	1,096,835
Iron and Steel:				
Cost of goods sold	702,395	660,157	1,321,729	1,284,927
Selling, general and administrative	91,156	84,935	177,733	169,264
Depreciation, depletion and amortization	30,025	31,101	60,514	56,402
Interest	29,117	33,211	60,401	64,477
Income taxes	(791)	(11,624)	(2,623)	(25,859)
	851,902	797,780	1,617,754	1,549,211

CANADIAN PACIFIC ENTERPRISES LIMITED

Notes to Consolidated Financial Statements

2. Expenses Including Income Taxes (continued)	Unaudited Quarter ended June 30 1985	1984	Six Months ended June 30 1985	1984
	(in thousands)			
Real Estate:				
Operating expenses and cost of sales	$ 34,455	$ 31,135	$ 66,135	$ 67,820
Depreciation	4,924	3,823	9,549	7,630
Interest	20,669	18,207	41,279	35,343
Income taxes	3,673	5,067	8,126	9,425
	63,721	58,232	125,089	120,218
Agriproducts:				
Cost of goods sold	194,189	267,317	368,213	494,253
Selling, general and administrative	51,232	46,969	94,635	91,815
Depreciation and amortization	4,064	5,253	8,283	10,333
Interest	3,530	4,532	7,021	9,176
Income taxes	1,859	2,850	3,151	6,468
	254,874	326,921	481,303	612,045
Other Businesses:				
Operating expenses and cost of goods sold	15,873	11,483	31,687	24,557
Selling, general and administrative	5,008	5,615	9,973	9,502
Depreciation and amortization	1,766	1,535	3,468	3,105
Interest	323	722	640	1,475
Income taxes	2,389	1,563	3,888	2,774
	25,359	20,918	49,656	41,413
Financial:				
General and administrative	6,829	5,727	15,113	11,169
Depreciation and amortization	74	(36)	143	22
Interest	29,208	28,929	60,468	56,048
Income taxes	(545)	899	(559)	747
	35,566	35,519	75,165	67,986
	$2,553,529	$2,480,406	$4,853,496	$4,818,446

CANADIAN PACIFIC ENTERPRISES LIMITED

Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Condition

Enterprises' total assets increased from $12,357 million to $12,555 million during the first six months of 1985. Funds from operations amounted to $513 million and issuance of long term debt was $199 million. Proceeds from the disposal of CIP Daxion, Baker Commodities and Theresa Friedman totalled $74 million. Additions to properties were $466 million and long term debt was reduced by $234 million. Working capital decreased by $4 million.

The issuance of long term debt included additional borrowings by AMCA International Limited, CIP Inc., The Algoma Steel Corporation, Limited and Cominco Ltd.

Before deduction of an estimated $42.0 million in Petroleum Incentive Program grants, PanCanadian's capital expenditures amounted to $278.1 million, up $138.1 million over the corresponding period of 1984. Increased exploration and development activities and the acquisition of oil and gas interests in the United States accounted for this change.

In July, Enterprises announced that PanCanadian had purchased for $65.0 million all of the tax losses and investment tax credits of CIP, which used the sales proceeds to reduce debt. The transaction will benefit each of the participating companies and consolidated net income of Enterprises will include a gain of approximately $22.0 million in 1986 as the losses are realized. CIP

Inc. and CIP Forest Products Inc. were subsequently combined to continue under the name CIP Inc.

Results of Operations. Comparison of First Six Months 1985 and 1984

Consolidated net income for the first six months of 1985 amounted to $139.7 million, compared with $125.4 million in the same period last year. After providing for preferred dividends, earnings per common share were 88¢, up from 81¢ per share in the first half of 1984. Oil and Gas, Forest Products and Iron and Steel all showed improved results during the first six months, but earnings from Mines and Minerals declined and there were losses in the Agriproducts and Financial sectors.

The following discussion summarizes significant changes affecting the results for the first six months of 1985 compared with 1984.

Oil and Gas. Enterprises' share of PanCanadian's earnings amounted to $136.6 million, compared with $129.1 million in the first six months of 1984.

Revenues of PanCanadian increased to $579 million from $522 million in the first half of 1984. The improvement in revenues resulted largely from higher production of conventional and synthetic crude oil and increased sales volumes of natural gas and natural gas liquids. Total expenses were $422 million compared to $374 million in the first six months of 1984. The change was primarily due to increases in service costs of producing conventional oil, increases in the number of producing properties, higher product costs at the Empress plant and increased depletion.

Mines and Minerals. The Mines and Minerals sector reported earnings of $5.3 million for the first six months of 1985, down from $14.4 in the same period of 1984.

Although Cominco reported a small profit, there was a loss attributable to common shareholders, of which Enterprises' share amounted to $2.2 million. Enterprises' share of Cominco's earnings was $10.1 million for the first six months of 1984. Included in Cominco's 1985 results was a net gain of $9.4 million arising from the sale in the first quarter of a part interest in Pine Point Mines Limited, whereas in 1984 there was a net gain of $5.2 million principally due to the sale in the second quarter of its interest in an oil recovery project. Enterprises' share of these items amounted to $5.0 million and $2.8 million respectively. Cominco's revenues were $836 million, up from $831 million in the comparable period of 1984. The increase in Cominco's revenues was largely due to improved prices and volumes for chemicals and fertilizers together with higher zinc and lead concentrate sales volumes. The improvement in revenues was restricted by the impact of lower prices for zinc, lead, silver and gold. Total expenses increased to $832 million from $805 million, mainly due to higher sales volumes. As a result of the currently depressed zinc market, the Sullivan Mine will be closed for the month of August and production at the Trail and Pine Point operations will be curtailed for the remainder of 1985.

In the first six months of 1985, Fording Coal, owned 60% by Enterprises and 40% by Cominco, had net income of $11.1 million, an increase of $4.9 million over

the same period of 1984. Total revenues were $158 million, up from $155 million in 1984. A net gain of $4.1 million was realized on the sale of coal leases, compared with a gain of $1.3 million on a similar sale in the corresponding period of 1984. Increased revenues were attributable to the sale of coal leases and higher royalty income which more than offset the effects of lower selling prices. In the first six months of 1985, total expenses of $147 million, compared with expenses of $149 million last year. The decrease in expenses reflected the benefits of improved productivity and lower interest costs.

Forest Products. The Forest Products sector incurred a loss of $12.3 million in the first six months of 1985, in comparison to a loss of $32.3 million in the corresponding period of 1984.

CIP Inc. incurred a loss of $14.0 million, down substantially from a loss of $34.9 million in the same period of 1984. The 1984 results have been revised for comparative purposes to include the loss of Pacific Forest Products Limited, which amalgamated with Tahsis Company Ltd. on January 1, 1985 to form CIP Forest Products Inc., a subsidiary of CIP. Total revenues of CIP amounted to $795 million in the first six months of 1985, compared with $765 million in the same period last year. The newsprint division contributed most of the improvement in CIP's revenues, reflecting increased selling prices and a higher exchange premium on U.S. dollar sales. In addition, revenues from kraft board were higher. These factors were partially offset by lower selling prices for pulp. Total expenses were $813 million, up from $806 million in the corresponding period of 1984 due to cost increases, partially offset by lower

interest expense. During the first six months CIP realized a gain of $3.5 million from the sale of tax losses to PanCanadian late in 1984. PanCanadian's results also included a gain on the purchase of the tax losses of which Enterprises' share was $4.3 million.

Net income from Great Lakes was $1.7 million, down from $2.5 million for the first six months of 1984. Great Lakes total revenues remained unchanged in comparison to the previous year while total expenses were $292 million compared to $290 million in 1984. The principal reasons for the decline in earnings were lower prices for pulp, fine papers and lumber, lower shipments of most products and a higher effective tax rate resulting from a change in the method of accounting for investment tax credits. Positive factors were a higher U.S. dollar exchange premium and a modest price improvement for building products late in the first half. Increased shipments of fine papers resulted from the start-up of the new Dryden fine paper facility in April, 1984.

Iron and Steel. The Iron and Steel sector reported a loss of $2.6 million, compared with a loss of $16.0 million in the first six months of 1984.

Enterprises' share of the loss reported by Algoma Steel was $7.2 million, an improvement over the $17.8 million loss in the comparable period of 1984. Revenues of Algoma Steel were up from $588 million in 1984 to $604 million in the first half of 1985. The increase in revenues was due to higher sales volumes and some improvement in product mix. Expenses were $608 million, $1 million less than in the same period of 1984 as a result of cost reductions.

Enterprises' direct interest in AMCA International's loss to common shareholders amounted to $318,000, compared with net income of $1.8 million in the same period of 1984. In addition, Enterprises' received in 1985 $4.9 million in dividends on its holding of convertible preferred shares. In the first six months of 1985, AMCA's revenues and expenses were $1,041 million and $1,030 million respectively, compared with revenues of $974 million and expenses of $958 million in the previous year. AMCA's 1984 revenues included a $12.7 million refund of a surplus in its Canadian pension fund. In 1985 operating earnings benefited from a higher level of new business at better profit margins.

Agriproducts. In the Agriproducts sector, Maple Leaf Mills reported a loss of $1.8 million after providing in June for a net loss of $7.3 million on the sale in July of its 50% interest in Maple Leaf Monarch Company. This compared to earnings of $5.2 million in the first half of 1984. Operating earnings remained substantially unchanged relative to 1984.

Financial. In the first six months of 1985, the Financial sector recorded a loss primarily due to lower interest income and a loss reported by Chateau Insurance.

Results of Operations.

Comparison of Second Quarter 1985 to Second Quarter 1984

The following discussion summarizes significant changes affecting the results for the second quarter of 1985 compared with 1984.

<u>Oil and Gas</u>. Income from PanCanadian Petroleum decreased to $59.7 million from $62.0 million in the second quarter of 1984.

PanCanadian's revenues increased to $275 million from $251 million in the corresponding period of 1984 as a result of increased production and higher prices for conventional crude oil. Total expenses increased to $206 million from $180 million in the same period last year primarily due to higher service costs of producing conventional oil, together with increases in the number of producing properties and higher depletion and income taxes.

<u>Mines and Minerals</u>. The Mines and Minerals sector reported income of $3.2 million in the second quarter of 1985, in comparison to earnings of $12.1 million in the same period last year.

Enterprises' share of earnings reported by Cominco decreased by $9.5 million in comparison to 1984. In 1984 Cominco's results included a net gain of $5.2 million principally on the sale of its interest in an oil recovery project. Cominco's revenues increased to $483 million from $452 million. The revenue increase arose primarily from increased sales of zinc and lead concentrates and chemicals and fertilizers, partially offset by the effect of lower prices for zinc, lead, silver and gold. Expenses increased to $479 million from $431 million as a result of higher volumes.

In the second quarter, Fording Coal reported net earnings of $4.4 million, in comparison to $3.9 million in 1984. Revenues increased to $85 million from

$74 million, and expenses increased to $81 million from $70 million. The increase in revenues occurred primarily as a result of higher sales volumes.

Forest Products. The Forest Products sector incurred a loss of $5.9 million in the second quarter of 1985, compared to a loss of $6.3 million in the same period of 1984.

CIP Inc. incurred a loss of $5.0 million, compared with a loss of $8.7 million in 1984. Revenues amounted to $401 million up from $394 million in the previous year. This increase in revenues is due mainly to better selling prices for newsprint and packaging products partially offset by lower pulp prices. Expenses increased from $405 million in 1984 to $411 million this year as a result of higher costs somewhat offset by lower interest expense.

The loss from Great Lakes was $0.9 million, compared to income of $2.4 million in the second quarter of 1984. Revenues from Great Lakes were $146 million, down from $157 million in 1984. This decrease was a result of lower shipments of newsprint, pulp and stud lumber and depressed selling prices for pulp and fine paper. Total expenses decreased to $148 million from $153 million in the second quarter of 1984 as lower income tax expenses and the effects of lower shipment volumes more than offset higher costs.

Iron and Steel. The Iron and Steel sector reported a loss of $536,000 in the second quarter of 1985, compared with a loss of $2.7 million in the comparable period of 1984.

Enterprises' share of the loss reported by Algoma Steel, including Algoma's share of AMCA's results, was $3.1 million, compared with a loss of $4.3 million in the second quarter of 1984. Revenues increased $6 million to $310 million, while expenses increased $4 million to $311 million. These increases were mainly due to higher shipments and a change in product mix. Second quarter results also benefited from a recovery of capital taxes, Enterprises' share of which amounted to $3.4 million.

Enterprises' direct share of AMCA's net income to common shareholders amounted to $145,000, compared with income of $1.6 million to common shareholders in the second quarter of 1984.

Real Estate. The decrease in earnings from the Real Estate sector reflected lower gains on the sale of properties.

Agriproducts. The loss in the Agriproducts sector in the second quarter was principally due to the provision for the loss on Maple Leaf's sale of its interest in Maple Leaf Monarch Company.

Financial. The loss from the Financial sector reflected lower interest income.

Part II. Other Information

Item 6. (a) Exhibits - Proceedings at the Annual Meeting of Shareholders, Friday, April 26, 1985.

(b) Reports on Form 8-K - No reports on Form 8-K were filed for the quarter ended June 30, 1985.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Canadian Pacific Enterprises Limited
(Registrant)

Date August 12, 1985

J.F. Hankinson
Vice-President
Finance and Accounting
(on behalf of the Registrant and as principal financial and accounting officer)

Proceedings at the Twenty-third Annual Meeting of Shareholders

The meeting convened in accordance with the Notice to Shareholders at 11:00 a.m. (Calgary time), in The Palliser Hotel, Calgary, Alberta.

In accordance with the By-laws of the Corporation, the Chairman, Mr. Robert W. Campbell, presided at the meeting. Mr. G.S. MacLean, Vice-President Administration and Secretary, acted as secretary of the meeting.

The Chairman introduced the members of the Board of Directors who were to be nominated for re-election and introduced the nominee director to fill one vacancy in the Board.

With the approval of the meeting, the Chairman appointed Mr. E.A. Shea and Ms. V. Swan, of Montreal Trust Company, to act as scrutineers.

There were 70 shareholders present and 86.7% of the voting shares of the Corporation were represented at the meeting in person or by proxy.

The Secretary read the notice calling the annual meeting, which had been mailed to all shareholders, and filed an affidavit proving due mailing of the notice. The Chairman then declared the meeting to have been regularly called and properly constituted for the transaction of business.

It was moved by Mr. Terry Salman and seconded by Mr. Robert Christie:

That reading of the minutes of the last Annual Meeting of Shareholders held on April 27, 1984, be dispensed with and that said minutes be taken as read and confirmed.

There being no discussion on the motion, the question was put to a vote and the Chairman declared the motion carried and the minutes duly confirmed.

Mr. Bruce Dunlop, Partner, Price Waterhouse, the Shareholders' Auditors, then read to the meeting the Auditors' report appended to the consolidated financial statements of the Corporation.

The Chairman placed before the meeting the Report of the Directors, accompanying consolidated financial statements and report of the auditors thereon, for the year ended December 31, 1984, pursuant to the requirements of Section 149 of the Canada Business Corporations Act.

It was moved by Mr. J.S.A. MacDonald and seconded by Mr. F. McCrindle:

That the reading of the Report of the Directors for the year 1984 be dispensed with.

There being no discussion on the motion, the question was put to a vote and the Chairman declared the motion carried.

The Chairman then addressed the meeting as follows:

Address of Mr. Robert W. Campbell to Annual Meeting of Shareholders, Canadian Pacific Enterprises Limited

I am pleased to report substantially higher earnings for 1984. You will have noted from the annual report that consolidated earnings were $307 million in 1984 compared with $63 million in 1983 before an extraordinary item.

The higher earnings in 1984 resulted from improved economic growth in North America, together with measures taken by Enterprises' companies to control costs and increase productivity. Certain tax-related transactions in the Forest Products sector also had a beneficial effect on net income.

Profits from the Oil and Gas sector improved due to higher production of oil and natural gas and better prices for conventional oil.

The Mines and Minerals sector experienced a moderate turnaround, due mainly to better demand for metals and fertilizers and higher sales volumes of coal.

The Forest Products sector, though incurring a small loss, showed the best improvement in results. This was due mainly to strengthening newsprint and pulp markets.

The loss reported by Iron and Steel was also reduced, largely because of higher finished steel shipments, improved product mix and cost reductions.

Over the last decade, Enterprises' rate of return on shareholders' equity has averaged over 15 per cent. It peaked at 25 per cent in 1979, but was only 10 per cent last year in spite of our increase in earnings. Providing an attractive rate of return has been and continues to be a major goal of this Corporation.

In 1982, Enterprises, like many other companies, was hard hit by the most severe recession since the late 1930s. Consequently, measures were introduced by Enterprises and its subsidiaries to reduce costs, conserve cash and increase productivity.

In the past three years, a number of our companies discontinued unprofitable businesses or those unrelated to their strategic or long-term investment objectives.

In 1984, Cominco disposed of its tertiary oil recovery project and sold its investment in Tara Exploration. More recently, it reduced its interest in Pine Point Mines.

AMCA discontinued its consumer products division, and CIP recently announced the sale of CIP Daxion.

Enterprises sold Baker Commodities in early 1985.

Reorganizations were also undertaken by the Corporation to improve profitability and to strengthen the balance sheet.

Enterprises consolidated its forest products operations in British Columbia through the amalgamation of Pacific Forest Products and Tahsis.

The consolidated financial position of CIP was strengthened through the sale, by one of its

subsidiaries, of investment tax credits and income tax losses to PanCanadian Petroleum. The resulting cash was used to pay down term debt.

In addition, Enterprises liquidated two offshore companies.

The funds received, as well as the proceeds from Enterprises' $100 million preferred share issue in May, 1984, were used to further reduce CIP's term debt.

All these actions had a positive effect on 1984 earnings and on the rate of return on shareholders' equity.

These measures will also benefit our future years.

In 1985, emphasis will continue to be focused on reducing costs, conserving cash and increasing productivity. None of the stringent measures put in place during the recession years were at the expense of Enterprises' long-term goals.

PanCanadian Petroleum, through exploration, has replaced its annual production of oil and gas for six straight years. PanCanadian's 1985 exploration and development program will be the largest it has ever undertaken, with expenditures exceeding $450 million. Exploration activities will have their primary focus here in Alberta.

The company's 1985 program also includes development and production of heavy oil reserves and expenditures for enhanced oil recovery projects.

PanCanadian has recently purchased oil and gas properties in the United States, with a reserve life index exceeding 35 years.

At Cominco, emphasis continues to be directed towards the discovery of mineral deposits which will reinforce Cominco's position as one of the world's largest, low-cost metal producers. An example of this is the Red Dog deposit in Alaska—a high grade zinc-lead-silver ore body.

One of the few expansion projects in 1985 will be the construction of Algoma Steel's new seamless tube mill. This will enable Algoma to benefit from the strong demand for seamless tubes expected to result from drilling programs in Western Canada. The recent Western Accord between the federal government and the three western provinces will further encourage exploration drilling.

The funds required for the new tube mill will be provided through a partnership arrangement with Canadian Pacific Limited. Start-up of the mill is scheduled for early 1987.

Capital expenditures at Fording Coal in 1985 will be directed mainly to the continued development of Eagle Mountain. This area represents a major source of supply of high volatile coal and will permit Fording to meet the demand expected for this product. Fording has one of the most efficient mines in the area, with 180 million tonnes of reserves and a life index exceeding 40 years.

Great Lakes Forest Products has announced its intention to participate with five United States newspaper publishers to build and operate a newsprint mill in the Pacific Northwest.

The measures taken over the past three years and the long-term commitment to maintain modern and efficient facilities enable Enterprises' companies to better deal with today's business environment.

Internationally, Canadian business is facing increasingly competitive market conditions resulting from rapid technological change and competition from newly-industrialized countries.

In Canada, this situation is aggravated by high levels of unemployment and weak economic growth.

Canadian business must innovate and invest to keep ahead of foreign competition. It is essential that government, labor and industry co-operate to create the investment climate which will enable Canadian companies to meet these challenges.

In this respect, we commend the federal government's stated resolve to support the private sector as the primary source of sustainable economic growth, investment and employment. We also commend the challenge that the federal government has set for itself to restore fiscal responsibility and to reduce the budget deficit. We hope the forthcoming federal budget will contain positive measures towards the achievement of these goals. The recently announced Western Accord is a move in the right direction.

The Corporation's results for the first quarter of 1985 showed consolidated net income of $79.3 million, or 50 cents per common share. The increase over earnings for the same quarter of 1984 amounted to $35.5 million, or 22 cents per common share.

Most sectors contributed to this growth in earnings, with Oil and Gas, Forest Products and Iron and Steel showing the greatest improvement.

The Oil and Gas sector reported higher earnings for the quarter due largely to strong market demand for crude oil and higher production of natural gas liquids.

Earnings from Mines and Minerals were essentially unchanged.

In the Forest Products sector, better selling prices for newsprint were only partially offset by weaknesses in demand for other products.

The losses reported by Iron and Steel declined due to improved demand for higher margin products, as well as cost reductions in steel-making operations.

Earnings for the balance of the year will depend on the performance of the Canadian and U.S. economies. Prices for metals, pulp and steel will be the determining factors in the months ahead.

In closing, I extend a special thanks to the employees of Enterprises and its many companies for their efforts during the year.

The Chairman declared the meeting open for nominations for the election of 18 directors.

Mr. Bryce W. Douglas nominated Messrs.: M. Norman Anderson, F.S. Burbidge, Robert W. Campbell, Paul Desmarais, O.C., S.E. Eagles, Thomas M. Galt, C. Merv Leitch, Q.C., John Macnamara, Angus A. MacNaughton, W. Earl McLaughlin, Paul A. Nepveu, John L. Nichol, O.C., Paul L. Paré, O.C., Claude Pratte, Q.C., C. Douglas Reekie, R.D. Southern, William W. Stinson and Ray D. Wolfe, C.M., a majority of whom are resident Canadians, as Directors of the Corporation to hold office until the next Annual Meeting of Shareholders and until their successors are elected.

There being no further nominations, Mr. P. Michael Nedham moved and Mr. Erv Sande seconded the following motion:

That nominations for Directors of the Corporation be closed and that the Secretary be hereby instructed to cast a single ballot on behalf of the shareholders for the election of the eighteen persons whose names have been read to this meeting as Directors of the Corporation to hold office until the next Annual Meeting of Shareholders and until their successors are elected.

There being no discussion on the motion, the question was put to a vote and the Chairman declared the motion carried. The ballot was then cast by the Secretary and read to the meeting, following which the Chairman declared those nominated to be duly elected Directors of the Corporation to hold office until the next Annual Meeting of Shareholders and until their successors are elected.

The Chairman stated that the next order of business was to appoint the auditors and to authorize the Board of Directors to fix their remuneration. Mr. Peter Jones proposed and Mr. Glen Roane seconded the following motion:

That Price Waterhouse, Chartered Accountants, be and they are hereby appointed Auditors of the Corporation to hold office until the close of the next Annual Meeting of Shareholders and that their remuneration be fixed by the Board of Directors.

There being no discussion on the motion, the question was put to a vote following which the Chairman declared the motion carried.

The Chairman then invited questions from the shareholders. No questions arose.

The Chairman paid tribute to Mr. G.S. MacLean, Vice-President Administration and Secretary, who will be retiring on June 1, 1985 after more than thirty-six years of service with the Canadian Pacific group of companies and who was participating in his thirteenth Annual Meeting of Shareholders.

There being no further business, Mr. Robert Grandy proposed, seconded by Mr. Gordon Ritchie, the following motion:

That this meeting do now terminate.

The question was put to a vote and the Chairman declared the motion carried and the meeting terminated.

Chairman and Chief Executive Officer

Vice-President Administration and Secretary

After the shareholders' meeting, the directors met and elected Officers of the Corporation and the Executive Committee, as follows:

Officers of the Corporation
Mr. Robert W. Campbell, Chairman
and Chief Executive Officer
Mr. S.E. Eagles, President

The Executive Committee
Mr. Robert W. Campbell
Mr. Paul Desmarais, O.C.
Mr. S.E. Eagles
Mr. W. Earle McLaughlin
Mr. Paul L. Paré, O.C.
Mr. C. Douglas Reekie
Mr. William W. Stinson
Mr. Ray D. Wolfe, C.M.

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Canadian Pacific Enterprises Limited

Report to Shareholders for Six Months Ended June 30, 1985

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Canadian Pacific **Enterprises** Limited

Quarterly Report for the six months ended June 30, 1985

To the Shareholders

Consolidated net income for the first six months of 1985 amounted to $139.7 million, compared with $125.4 million in the same period last year. After providing for preferred dividends, earnings per common share were 88¢, up from 81¢ per share in the first half of 1984. Oil and Gas, Forest Products and Iron and Steel all showed improved results during the first six months, but earnings from Mines and Minerals declined and there were losses in the Agriproducts and Financial sectors.

Enterprises' second quarter earnings of $60.3 million, or 38¢ per common share, were down $21.2 million, or 15¢ per share, from the comparable period of 1984 due primarily to the Mines and Minerals and the Agriproducts sectors.

Enterprises' share of PanCanadian's earnings amounted to $136.6 million, compared with $129.1 million in the first six months of 1984. The increase resulted largely from higher production of conventional and synthetic crude oil and increased sales volumes of natural gas and natural gas liquids. Before deduction of an estimated $42.0 million in Petroleum Incentive Program grants, PanCanadian's capital expenditures amounted to $278.1 million, up $138.1 million over the corresponding period. Increased exploration and development activities and the acquisition of oil and gas interests in the United States accounted for this change.

Although Cominco reported a small profit, there was a loss attributable to common shareholders, of which Enterprises' share amounted to $2.2 million. This contrasted with earnings of $10.1 million for the first six months of 1984. Included in Cominco's 1985 results was a net gain of $9.4 million arising from the sale in the first quarter of a part interest in Pine Point Mines Limited, whereas in 1984 there was a net gain of $5.2 million principally due to the sale in the second quarter of its interest in an oil recovery project. Enterprises' share of these gains amounted to $5.0 million and $2.8 million respectively.

The deterioration in Cominco's operating results, which occurred in both the first and second quarters of 1985, was largely due to lower prices for zinc, lead, silver and gold, partially offset by increased zinc and lead concentrate sales volumes. Earnings from chemicals and fertilizers were little different from the first six months of 1984. As a result of the currently depressed zinc market, the Sullivan Mine will be closed for the month of August and production at the Trail and Pine Point operations will be curtailed for the remainder of 1985.

In the first six months of 1985, Fording Coal, owned 60% by Enterprises and 40% by Cominco, had net income of $11.1 million, an increase of $4.9 million over the same period of 1984. A net gain of $4.1 million was realized on the sale of coal leases, compared with a gain of $1.3 million on a similar sale in the corresponding period of 1984. Increased operating earnings were attributable to improved productivity, which more than offset the effects of lower selling prices. Earnings were also favourably affected by higher royalty income and lower interest costs.

To the Shareholders

CIP incurred a loss of $14.0 million, down substantially from a loss of $34.9 million in the same period of 1984. The 1984 results have been revised for comparative purposes to include the loss of Pacific Forest Products Limited, which amalgamated with Tahsis Company Ltd. on January 1, 1985 to form CIP Forest Products Inc., a subsidiary of CIP. The newsprint division contributed most of the improvement in CIP's operating results, reflecting increased selling prices and a higher exchange premium on U.S. dollar sales. In addition, earnings from kraft board were higher. These factors were partially offset by lower selling prices for pulp. During the first six months CIP realized a gain of $3.5 million from the sale of tax losses to PanCanadian late in 1984. PanCanadian's results also included a gain on the purchase of the tax losses of which Enterprises' share was $4.3 million.

Net income from Great Lakes was $1.7 million, down from $2.5 million for the first six months of 1984. The principal reasons for the decline in earnings were lower prices for pulp, fine papers and lumber, lower shipments of most products and a higher effective tax rate resulting from a change in the method of accounting for investment tax credits. Positive factors were a higher U.S. dollar exchange premium and a modest price improvement for building products late in the first half. Increased shipments of fine papers resulted from the start-up of the new Dryden fine paper facility in April, 1984.

In the Iron and Steel sector, Enterprises' share of the loss reported by Algoma Steel was $7.2 million, an improvement over the $17.8 million loss in the comparable period of 1984. The reduction in Algoma's loss was mainly due to cost reductions and some improvement in product mix. Second quarter results also benefited from a recovery of capital taxes, Enterprises' share of which amounted to $3.4 million. However, weak steel prices have adversely affected results.

Enterprises' direct interest in AMCA International's loss to common shareholders amounted to $318,000, compared with net income of $1.8 million in the same period of 1984. In addition, Enterprises received in 1985 $4.9 million in dividends on its holding of convertible preferred shares. AMCA's 1984 income included a $12.7 million refund of a surplus in its Canadian pension fund. In 1985 operating earnings benefited from a higher level of new business at better profit margins.

Marathon Realty reported net income of $11.0 million in the first six months of 1985, a decrease of $1.1 million from the same period last year. Lower earnings from property sales, particularly during the second quarter, and higher interest costs more than offset increased income from building rentals.

In the Agriproducts sector, Maple Leaf Mills reported a loss of $1.8 million after providing in June for a net loss of $7.3 million on the sale in July of its 50% interest in Maple Leaf Monarch Company. Operating earnings remained substantially unchanged relative to 1984 as improved earnings from grain trading and reduced interest costs were offset by lower income from the rendering, flour and poultry businesses. Agriproducts income also decreased as a result of the sale of Baker Commodities Inc. early in 1985. In June, Enterprises sold its wholly-owned subsidiary, Theresa Friedman and Sons Inc. for book value of approximately U.S. $10.0 million.

In the first six months of 1985, the Financial sector recorded a loss primarily due to lower interest income and a loss reported by Chateau Insurance.

In July, Enterprises announced that PanCanadian had purchased for $65.0 million all of the tax losses and investment tax credits of CIP Inc., which used the sales proceeds to reduce debt. The transaction will benefit each of the participating companies and consolidated net income of Enterprises will include a gain of approximately $22.0 million in 1986 as the losses are realized. CIP Inc. and CIP Forest Products Inc. were subsequently combined to continue under the name CIP Inc.

Enterprises' earnings for the last six months of 1985 will be largely influenced by economic developments, particularly in respect of base metals, pulp and steel.

President

Chairman and
Chief Executive Officer

Calgary, August 2, 1985

Statement of Consolidated Income

(unaudited, in thousands)		Quarter ended June 30 1985	Quarter ended June 30 1984	Six Months ended June 30 1985	Six Months ended June 30 1984
Oil and Gas	Gross operating revenue	**$275,248**	$251,053	**$ 579,120**	$ 521,992
	Expenses including income and revenue taxes	**206,715**	179,864	**422,245**	373,729
		68,533	71,189	**156,875**	148,263
	Interest of outside shareholders	**8,854**	9,198	**20,268**	19,156
	Net income	**59,679**	61,991	**136,607**	129,107
Mines and Minerals	Gross operating revenue	**568,518**	527,177	**993,740**	987,217
	Expenses including income taxes	**562,349**	503,446	**982,858**	957,009
		6,169	23,731	**10,882**	30,208
	Interest of outside shareholders	**2,974**	11,643	**5,550**	15,828
	Net income	**3,195**	12,088	**5,332**	14,380
Forest Products	Sales and operating revenue	**547,169**	551,568	**1,089,828**	1,061,192
	Expenses including income taxes	**553,043**	557,726	**1,099,426**	1,096,835
		(5,874)	(6,158)	**(9,598)**	(35,643)
	Interest of outside shareholders	**6**	146	**2,710**	(3,306)
	Net income	**(5,880)**	(6,304)	**(12,308)**	(32,337)
Iron and Steel	Sales and operating revenue	**857,869**	802,891	**1,625,805**	1,539,418
	Expenses including income taxes	**851,902**	797,780	**1,617,754**	1,549,211
		5,967	5,111	**8,051**	(9,793)
	Interest of outside shareholders	**6,503**	7,870	**10,683**	6,236
	Net income	**(536)**	(2,759)	**(2,632)**	(16,029)
Real Estate	Gross rentals and other income	**68,154**	66,273	**136,344**	132,547
	Expenses including income taxes	**63,721**	58,232	**125,089**	120,218
		4,433	8,041	**11,255**	12,329
	Interest of outside shareholders	**125**	96	**225**	180
	Net income	**4,308**	7,945	**11,030**	12,149
Agriproducts	Gross operating revenue	**252,296**	331,021	**481,609**	621,780
	Expenses including income taxes	**254,874**	326,921	**481,303**	612,045
		(2,578)	4,100	**306**	9,735
	Interest of outside shareholders	**696**	587	**1,363**	1,145
	Net income	**(3,274)**	3,513	**(1,057)**	8,590
Other Businesses	Gross operating revenue	**28,564**	23,111	**55,526**	45,289
	Expenses including income taxes	**25,359**	20,918	**49,656**	41,413
	Net income	**3,205**	2,193	**5,870**	3,876
Financial	Gross operating revenue	**35,214**	38,364	**72,007**	73,625
	Expenses including income taxes	**35,566**	35,519	**75,165**	67,986
	Net income	**(352)**	2,845	**(3,158)**	5,639
Net Income		**$ 60,345**	$ 81,512	**$ 139,684**	$ 125,375
Earnings per Common Share		**38¢**	53¢	**88¢**	81¢
	The following amounts are included in expenses:				
	Depreciation, depletion and amortization	**$151,750**	$140,580	**$ 300,353**	$ 272,070
	Interest expense	**124,517**	128,163	**252,560**	249,573
	Income taxes	**98,224**	96,642	**189,914**	180,051

Statement of Changes in Consolidated Financial Position

	(unaudited, in thousands)	Six Months ended June 30 1985	1984
Source of Funds	Net income	**$139,684**	$125,375
	Depreciation, depletion and amortization	**300,353**	272,070
	Deferred income taxes	**31,810**	(3,580)
	Outside shareholders' interest in income of subsidiaries	**40,799**	39,239
	Funds from operations	**512,646**	433,104
	Issuance of preferred shares	–	100,000
	Issuance of common shares	**7,108**	5,808
	Reduction of investments	**11,603**	33,881
	Issuance of long term debt	**199,179**	115,683
	Issuance of shares by subsidiaries	**5,375**	–
	Proceeds from sale of subsidiaries	**73,773**	–
	Proceeds from disposal of properties	**24,257**	30,340
	Decrease (Increase) in working capital	**3,632**	(28,033)
	Sundries, net	**27,899**	5,545
		$865,472	$696,328
Application of Funds	Additions to properties	**$465,738**	$287,099
	Additions to investments	**15,090**	13,991
	Reduction in long term debt	**234,068**	292,589
	Dividends	**65,236**	61,655
	Dividends paid outside shareholders of subsidiaries	**37,387**	40,994
	Working capital of subsidiaries sold	**47,953**	–
		$865,472	$696,328

Condensed Consolidated Balance Sheet

	(unaudited, in thousands)	June 30 1985	1984
Assets	Current assets	**$ 3,571,460**	$ 3,582,116
	Investments	**337,453**	364,353
	Properties, at cost	**11,823,861**	11,035,769
	Less: Accumulated depreciation, depletion and amortization	**(3,659,442)**	(3,227,264)
	Other assets and deferred charges	**481,695**	480,800
		$12,555,027	$12,235,774
Liabilities	Current liabilities	**$ 2,274,032**	$ 2,323,293
	Deferred liabilities	**183,348**	188,082
	Long term debt	**3,884,560**	3,873,742
	Outside shareholders' interest in subsidiary companies	**1,753,996**	1,641,760
	Deferred income taxes	**1,088,669**	1,043,035
	Shareholders' equity	**3,370,422**	3,165,862
		$12,555,027	$12,235,774

Canadian Pacific **Enterprises** Limited

J F Hankinson Vice-President Finance and Accounting

October 16, 1985

Chief Financial Officer's Report

I have examined the financial statements appearing in the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1985 and its Report to Shareholders for the six months then ended. These financial statements have not been audited but have been prepared in accordance with the standards of the Canadian Institute of Chartered Accountants set out in the C.I.C.A. Handbook for interim financial reporting to shareholders.

J F Hankinson

Vice-President
Finance and Accounting

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October 1985

Legal deposit, 4th quarter (1985)

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